

The Narragansett Electric Company

July 2005 Standard Offer Rate Filing

Testimony and Exhibits  
Of  
Ronald T. Gerwatowski,  
Jeanne A. Lloyd and  
Michael J. Hager

July 29, 2005

Submitted to:  
Rhode Island Public Utilities Commission  
R.I.P.U.C. Docket No. \_\_\_\_\_

Submitted by:



July 29, 2005

**VIA HAND DELIVERY & ELECTRONIC MAIL**

Luly E. Massaro, Commission Clerk  
Rhode Island Public Utilities Commission  
89 Jefferson Boulevard  
Warwick, RI 02888

**Re: The Narragansett Electric Company - Standard Offer Rate Adjustment Filing**

Dear Ms. Massaro:

Enclosed on behalf of The Narragansett Electric Company ("Narragansett" or "Company") are ten copies of the Company's Standard Offer Rate Adjustment Filing. This filing contains the direct testimony and exhibits of Ronald T. Gerwatowski, Jeanne A. Lloyd and Michael J. Hager.

In the Commission's Order No. 18151 (February 17, 2005), the Commission recommended that Narragansett consider applying for a Standard Offer rate adjustment if the Company's projections show that the accrual of the over- or under-collection through December 31, 2005 will be more than \$16 million. On July 5, 2005, the Company filed its monthly Standard Offer reconciliation report, which indicated that based on recent fuel price projections, the Company projected an under collection of approximately \$32.6 million as of December 31, 2005. The Company is now anticipating the effects of continued escalating costs that will result in substantial under-recoveries by the end of 2005 and through the summer of 2006. The Company's filing today sets forth a Standard Offer rate adjustment proposal to address this projected under recovery.

The Company is proposing to increase the Standard Offer rate from its current level of 6.7¢/kWh to 8.2¢/kWh effective September 1, 2005, and to maintain this Standard Offer rate through August 2006. Narragansett proposes to implement the Standard Offer rate adjustment on this basis for several reasons. While this is a rather significant increase for customers that is a concern to the Company, it is important to have the standard offer rate match expected costs over the coming 12 months. As explained in the attached testimony, the Company's Standard Offer service costs are sensitive to the prices for natural gas and oil, because some of the contracts with the largest share of load have pricing mechanisms that are tied to those fuel prices. In order to avoid the accumulation of significant deferrals arising from the rapidly escalating costs of natural gas and oil, it is critical to seek a rate increase at the present time. The proposed rate of 8.2¢ is designed to avoid this problem by

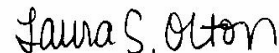
Luly E. Massaro, Commission Clerk  
Rhode Island Public Utilities Commission  
July 29, 2005  
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collecting the estimated costs of providing service through August of 2006 with no significant over or under-collection resulting. Moreover, raising the rate to 8.2¢ now potentially avoids the need to raise the rate again at the end of the year to an even higher rate, at a time when usage increases during the winter. Thus, the proposal, though resulting in a significant increase in September, potentially sets a course for rate stability for 12 months, instead of having two consecutive large increases in a short time. The Company also believes it is less confusing for customers to have one rate set for a 12 month period than to experience consecutive increases in a short time.

Based on an 8.2¢/kWh Standard Offer rate commencing in September, a typical residential customer using 500 kWh per month would see a bill increase of \$7.81 or approximately 12.4%.

Thank you for your attention to this filing. Should you have any questions, please feel free to contact me at (401) 784-7667.

Very truly yours,



Laura S. Olton

Enclosures

cc: Docket 3648 Service List  
Steve Scialabba

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Testimony of  
Ronald T. Gerwatowski

THE NARRAGANSETT ELECTRIC COMPANY

Re: Standard Offer Rate Adjustment Filing

Witness: Ronald T. Gerwatowski

**DIRECT TESTIMONY**

**OF**

**RONALD T. GERWATOWSKI**

1    **I.       Introduction**

2    Q.     Please state your full name and business address.

3    A.     Ronald T. Gerwatowski, 55 Bearfoot Road, Northborough, Massachusetts, 01532.

5    Q.     Please state your position.

6    A.     I am Vice President of Distribution Regulatory Services for The Narragansett Electric Company  
7           ("Narragansett" or the "Company"), a National Grid Company. In my capacity as Vice President,  
8           I am responsible for the Company's distribution rates and regulatory support group, which we  
9           refer to as the Distribution Regulatory Services Department. This Department, for which I have  
10          supervisory responsibility, provides rate-related support not only to Narragansett, but also to the  
11          other National Grid retail distribution companies in Massachusetts and New Hampshire, of which  
12          I am also Vice President.

14   Q.     Please describe your educational background.

15   A.     I graduated from Westfield State College in 1978. I also attended the University of Puerto Rico  
16          for one year in 1976-77. I received a Masters of Education degree from Fitchburg State College  
17          in 1982. I then went to law school and received a Juris Doctor, magna cum laude, from Boston  
18          College Law School in 1985, where I served on the Law Review.

20   Q.     Please describe your professional experience.

21   A.     Before going to law school, I was a public school teacher in the Springfield, Massachusetts  
22          school system. After graduating from law school, I was an associate at the Boston law firm of  
23          Testa, Hurwitz & Thibealt in 1985 and 1986. I left the firm and joined the legal department of  
24          New England Electric System ("NEES") in 1987, the predecessor to National Grid USA. In  
25          1990, I was regulatory counsel for Narragansett, where I practiced before the Rhode Island Public  
26          Utilities Commission ("Commission") until mid-1994. At that time, I returned to the corporate

1 headquarters for NEES and worked in the legal department on fuel-related regulatory matters  
2 pertaining to the generation plants that were owned by NEES at the time. In 1998, after industry  
3 restructuring in Rhode Island, I returned to Narragansett as General Counsel and continued in that  
4 position until the spring of 2002. I then became General Counsel of Niagara Mohawk Power  
5 Corporation in Syracuse, New York, after National Grid USA acquired Niagara Mohawk. I  
6 served in that capacity until May 1, 2005, when I took my current position as Vice President of  
7 Distribution Regulatory Services in New England.

8  
9 Q. Have you previously testified before the Commission?

10 A. I have appeared before the Commission in the role of legal counsel for many years. However, I  
11 have never testified before the Commission outside of the role as attorney for the Company.

12  
13 Q. In what capacity are you appearing as a witness in these proceedings?

14 A. I am providing testimony in this proceeding as Vice President of Distribution Regulatory  
15 Services.

16  
17 **II. Purpose of Testimony**

18 Q. What is the purpose of your testimony?

19 A. The purpose of my testimony is twofold. First, I provide a brief overview of the Company's  
20 filing. Second, I provide an update to the Commission relating to certain disputes and events  
21 pertaining to the Company's Standard Offer service agreements with wholesale suppliers. In  
22 addition, I discuss proposed ratemaking treatment pertaining to certain payments that the  
23 Company is making under protest in the context of one of those disputes.

24  
25 **III. Overview of the Filing**

26 Q. Please provide an overview of the Company's filing.

1 A. In this filing, the Company proposes to increase its Standard Offer rate from the current rate of  
2 6.7¢ per kWh to 8.2¢ per kWh, effective September 1, 2005, and to maintain this Standard Offer  
3 rate through August 2006. This represents a 12.4% increase on the bill of a typical residential  
4 customer taking Standard Offer Service and using 500 kWh per month. The Company's filing  
5 consists of the testimony and exhibits of Jeanne A. Lloyd, which provides the details regarding  
6 the calculation of the proposed rate, and the testimony and exhibits of Michael J. Hager, which  
7 addresses the fuel index adjustment provision in some of the Company's power supply contracts  
8 that is creating the upward pressure on the Company's Standard Offer power supply costs.

9  
10 Q. Why is the Company proposing the increase at this time?

11 A. While this is a rather significant increase for customers that is a concern to the Company, it is  
12 important to have the Standard Offer rate match expected costs over the coming 12 months. As  
13 explained in the testimony of Mr. Hager, the Company's Standard Offer service costs are  
14 sensitive to the prices for natural gas and oil, because some of the contracts with the largest share  
15 of load have pricing mechanisms that are tied to those fuel prices. In order to avoid the  
16 accumulation of significant deferrals arising from the rapidly escalating costs of natural gas and  
17 oil, it is extremely important to seek a rate increase at the present time. As described in more  
18 detail in the testimony of Ms. Lloyd, as of June 2005 the Company has an accumulated under  
19 recovery of Standard Offer supply costs of only \$2.3 million, well within an expected variance.  
20 However, the Company is now anticipating the effects of rapidly escalating costs that will result  
21 in substantial under-recoveries by the end of 2005 and through the summer of 2006. The  
22 proposed rate of 8.2¢ is designed to avoid this problem by collecting the estimated costs of  
23 providing service through August of 2006 with no significant over or under-collection resulting.  
24 Moreover, raising the rate to 8.2¢ now potentially avoids the need to raise the rate again at the  
25 end of the year to an even higher rate, at a time when usage increases during the winter. Thus,  
26 the proposal, though resulting in a significant increase in September, potentially sets a course for



1 rate stability for 12 months, instead of having two consecutive large increases in a short time.

2 The Company also believes it is less confusing for customers to have one rate set for a 12 month  
3 period than to experience consecutive increases in a short time.

4  
5 Q. What would the Company do if fuel prices abate during the 12 month period?

6 A. If fuel prices were to abate, such that the forecasts suggest a significant over-recovery, the  
7 Company would return to the Commission to lower the rate. But, as Mr. Hager explains in his  
8 testimony, we are seeing no sign of abatement in the fuel markets.

9  
10 Q. What is the size of the expected under-recovery?

11 A. As indicated by Ms. Lloyd in her testimony, assuming a continuation of the current Standard  
12 Offer rate of 6.7¢ per kWh, the projected under recovery as of the end of 2005 is estimated to  
13 exceed \$28 million. To further illustrate the magnitude of the problem, if the Company  
14 (hypothetically speaking) maintained the current rate of 6.7¢ per kWh through the end of 2006,  
15 and fuel prices do not abate, we project an under recovery of almost \$154 million by the end of  
16 2006. Thus, the Company's proposal is consistent with the Commission's policy of not allowing  
17 a large under-collection to accrue in the Standard Offer reconciliation account.

18  
19 **IV. Dispute with TransCanada Regarding Fuel Index Payments**

20 Q. Could you please provide an update regarding the dispute with TransCanada Power Marketing  
21 ("TransCanada") over fuel index payments?

22 A. Yes. As the Commission is aware, there is a dispute between the Company and TransCanada  
23 over whether one of the Wholesale Standard Offer Service Agreements requires the Company to  
24 make fuel index payments to TransCanada after 2004. Complaints are pending in two federal  
25 courts on this matter. One complaint was filed by TransCanada against the Company in  
26 Worcester, Massachusetts on May 17, 2005, to which the Company filed a counterclaim. A copy

1 of the complaint is provided as Exhibit RTG-1 to my testimony. The other complaint was filed  
2 by the Company against TransCanada in Providence, Rhode Island, on May 26, 2005. A copy of  
3 this complaint is provided as Exhibit RTG-2.

4  
5 After the Company filed its complaint against TransCanada in Rhode Island, TransCanada filed a  
6 motion to dismiss or stay the proceeding, essentially arguing that the case should proceed in  
7 Massachusetts and not in Rhode Island. The Company responded, arguing that the case should  
8 proceed in Rhode Island. We feel strongly that the case should remain in Rhode Island because  
9 all of the issues relate to Rhode Island. Oral argument will take place in the federal court in  
10 Providence at the end of August 2005.

11  
12 Q. Are any payments being made to TransCanada relating to the disputed fuel index payments?

13 A. Yes. The Company is making payments under protest to TransCanada, the calculation of which  
14 is discussed in the testimony of Mr. Hager.

15  
16 Q. Are there ratemaking issues related to these payments?

17 A. Yes, there are two. First, there is a question whether it is in the best interest of customers for the  
18 Company to continue making protest payments while the litigation is pending. Second, if the  
19 answer is yes, how should the recovery of those payments be timed? In sum, the Company  
20 believes it is important to continue these payments. Regarding timing, for the reasons that I will  
21 explain, the Company believes the payments should be recognized currently in the reconciliation  
22 account, subject to refund after the litigation concludes.

23  
24 Q. Why is the Company making protest payments to TransCanada?

25 A. The Company believes it is in its customers' best interest to make the payments under protest.  
26 While the Company believes that no fuel index payments are owed under the contract, we want to

1 obviate any attempt by TransCanada to use non-payment as the basis to try to terminate the  
2 contract as it has threatened to do. We believe it is in the best interest of customers to take steps  
3 to assure that this contract is not lost, even assuming for the sake of argument, a fuel index was  
4 found to be applicable to pricing. As illustrated by the Company's Last Resort Rates filed on  
5 July 26, 2005, the Last Resort Service rates for January 2006 and February 2006 exceed 10¢ per  
6 kWh. This is higher than both the average Standard Offer rate charged to customers and the  
7 actual price paid under the contract for those months, even with protest payments included in the  
8 calculations. While the Company cannot predict whether the contract would be below market  
9 over the entire term, if the Last Resort rate is used a proxy for expected market prices in 2006, the  
10 Company sees potential value in it for the future. This is especially so when the possibility of  
11 ISO New England implementing the proposed Locational Installed Capacity ("LICAP") market  
12 in the near future is taken into account.

13  
14 Q. What happens to the protest payments made if the Company prevails in the case?

15 A. If the Company ultimately prevails, as we believe it will, the Company will be able to obtain  
16 damages from TransCanada, with applicable interest, through which the Company would recoup  
17 the payments made. At that time, we would make a refund to customers for the amounts  
18 recovered from TransCanada pertaining to these payments.

19  
20 Q. Is the Company concerned that TransCanada might not be able to pay the damages?

21 A. Not at this time. By all reports, TransCanada's financial condition is sound. If its condition  
22 changes, that risk could potentially be mitigated prospectively by asking the court to require that  
23 TransCanada provide security for its repayment of any amounts to Narragansett. But, at this time,  
24 we have no reason to believe that TransCanada could not make payment. We also have a pre-  
25 existing parent guarantee standing behind the contractual obligations that tends to mitigate this  
26 risk.

1

2 Q. To date, what is the amount of protest payments that have been made to TransCanada?

3 A. Through June 2005, the Company has paid approximately \$2.1 million in protest payments.

4 These payments are shown on the schedule provided by Mr. Hager in Exhibit MJH-5, page 2.

5

6 Q. Does the Company have a projection for future payments?

7 A. Yes. Using the same fuel index pricing forecast that was utilized to estimate fuel index payments

8 in this filing, the Company estimates that, by the end of December 2006, the total amount that

9 would be paid to TransCanada in protest payments could be as high as \$14.2 million. This is

10 reflected in the schedules provided by Mr. Hager in Exhibit MJH-5, page 2.

11

12 Q. Are the protest payments included in the forecast upon which the proposed Standard Offer

13 Service rate is based?

14 A. Yes. The exhibits being sponsored by Mr. Hager show an estimate of the payments that we

15 expect to make through 2006, assuming the litigation has continued through that time. These

16 actual and estimated protest payments account for approximately 1 mils per kWh of the proposed

17 rate of 8.2¢ per kWh.

18

19 Q. Why has the Company included the protest payments in the estimate?

20 A. These costs are currently being incurred on behalf of customers for providing Standard Offer

21 service. The payments are being made in order to preserve a Standard Offer supply contract. In

22 fact, the contract still has value, even with the protest payments included in the rate. Thus, it is in

23 the best interest of customers for the Company to take steps to eliminate any argument

24 TransCanada might make in an effort to terminate the contract. Because this action protects

25 customers, it is appropriate for customers to incur these costs currently, subject to refund. This

26 litigation could take a very long time to resolve. To the extent fuel prices do not abate, there

1 would be a substantial build up of under-recovery in the reconciliation balance attributable to  
2 these payments if it is not accounted for in the reconciliation account currently. Even if  
3 TransCanada does not attempt to terminate the contract during the pendency of the litigation, it is  
4 nevertheless important to include the payments in the reconciliation account. For example,  
5 TransCanada has sought damages in relation to the fuel adjustment payments. Accordingly,  
6 assuming for the sake of argument that TransCanada were to prevail and the Company was not  
7 making protest payments, it is conceivable that the Company could be required to pay damages to  
8 TransCanada for the months during which TransCanada supplied power but did not receive fuel  
9 payments. Thus, in such a case, the Company would be returning to the Commission proposing  
10 to include in the Standard Offer rate the total amount of damages payment as costs incurred under  
11 the contract.

12  
13 Q. Are there other policy reasons why the rate and reconciliation account should reflect the protest  
14 payments currently?

15 A. Yes. There is an issue of intergenerational equity. Deferring recovery of the protest payments  
16 could artificially increase the Standard Offer rate for customers in the future. Consistent with the  
17 Commission's current policy, the application of traditional ratemaking principles calls for current  
18 rates to match current cost incurrence. As such, it would be more equitable to have today's  
19 customers, who are receiving the service currently, paying the costs applicable to those kilowatt-  
20 hours currently. This principle is especially compelling where the cost incurrence is still less than  
21 the price for replacement power in the market. On the other hand, if the Commission chose to  
22 defer these costs for recovery at a later date after the litigation outcome is known, it would create  
23 the potential of future customers paying a substantial portion of the bill caused by past customer  
24 usage. Such timing of recovery also could result in future customers paying for power in excess  
25 of the market, while current customers pay a rate below market. It also could result in future  
26 commercial and industrial customers leaving to take service from competitive suppliers to avoid

1 paying an above market Standard Offer rate, thus stranding the deferred costs on customers that  
2 have fewer market choices. In fact, this market differential could be substantial if the litigation  
3 extends over a period of years.  
4

5 Q. Can you provide an example of this effect?

6 A. Yes. Today, larger commercial & industrial customers have suppliers from whom they can  
7 purchase power, while there are few choices, if any, for residential customers. If this market  
8 circumstance does not change, the problem relating to intergenerational equity among Standard  
9 Offer customers could be severe. That is, as the Standard Offer period nears its conclusion in  
10 2009, there are fewer reasons for a commercial or industrial customer to stay on the service when  
11 lower priced market alternatives are available. Thus, if the Standard Offer rates were raised even  
12 higher by including a significant amount of fuel index payments applicable to prior periods, it is  
13 likely that customers with large loads, high load factors, and strong bargaining power would  
14 leave to go to the competitive market. In such an event, there would be substantially fewer  
15 kilowatt-hours over which the past cost can be spread. As a result, the Standard Offer rate would  
16 spiral upward, as more customers leave. Based on current forecasts of the fuel index, the amount  
17 could be significant over a period of years. For these reasons, as well the others mentioned  
18 earlier, we believe it is appropriate for the rate to reflect the cost of the protest payments.  
19

20 Q. But, isn't it true that, if the Company prevails, future customers would then enjoy the benefits of  
21 the refund?

22 A. Yes. Future customers would obtain the benefit of the refund in that case. However, the  
23 difference is that, today, even with the protest payments included in the current rate, the Standard  
24 Offer rate is below market. If a refund is given in the future, that might create a below market  
25 rate as well, but it leaves both generations potentially paying below market rates. This result is  
26 equitable, when viewed in the context of the value of the power. On the other hand, if today's

1 customers do not pay, and a deferred cost is later imposed on future customers, it would result in  
2 an inequity. That is, customers today would pay a rate that is still below market, while future  
3 customers (because they are bearing the cost of the payment) would be required to pay an above  
4 market cost, thus creating the inequitable disparity between generations.

5  
6 Q. What is the Company asking the Commission to order regarding the protest payments?

7 A. The Company is asking the Commission to recognize the protest payment cost incurrence in the  
8 Standard Offer rate and reconciliation balance, subject to such amounts being refunded to  
9 customers through the reconciliation account if the Company prevails in the litigation and obtains  
10 reimbursement from TransCanada in damages. We believe this rate treatment is consistent with  
11 the Commission's policy of not allowing the build up of deferrals and is fair in terms of  
12 traditional ratemaking principles.

13  
14 **V. Issue with Supplier Regarding Congestion Costs**

15 Q. Are there any other cost issues with wholesale Standard Offer suppliers?

16 A. Yes. The Company has an issue with another supplier regarding who is responsible for  
17 congestion costs under a wholesale Standard Offer service agreement that was assumed by a new  
18 supplier when the old supplier, USGen New England, Inc. ("USGen") filed for bankruptcy. Prior  
19 to USGen filing for bankruptcy, the Company and USGen had agreed to arbitrate the issue of  
20 congestion cost responsibility, but the bankruptcy "automatic stay" rules prevented the arbitration  
21 from occurring.

22  
23 Q. Has Narragansett incurred any congestion costs from USGen or the other supplier?

24 A. Yes. As discussed in the testimony of Mr. Hager, the Company has incurred approximately  
25 \$689,000 in congestion costs from USGen for the period from August 2003 through December  
26 2004. In addition, the Company has a bill from the supplier that assumed the USGen contract

1 seeking payment of congestion costs for the period from January 2005 through June 2005.

2  
3 Q. Has Narragansett paid these amounts?

4 A. The Company has paid the \$689,000 to USGen, but has not yet paid any amounts to the other  
5 supplier. The Company just received the bill from the other supplier and, thus, it is still under  
6 review.

7  
8 Q. Has the Company taken any other action regarding the congestion costs?

9 A. Yes. The Company has communicated with the supplier to determine if there is a way to resolve  
10 future cost responsibility for congestion.

11  
12 Q. Have these amounts been included in the forecast upon which the proposed rate is based?

13 A. The amount that was paid to USGen is included in the reconciliation account. However, we have  
14 not included any amounts from the other supplier because the Company has not yet made  
15 payment nor completed its review of the billings. In any event, the amount paid to USGen is not  
16 large enough to have had an impact on the actual kWh charge being proposed in this filing, which  
17 is lost in the rounding of the rate calculation. If, in the context of a settlement relating to the CTC  
18 Mitigation Report that was recently provided to the Commission and other state Commissions, a  
19 resolution is reached that applies other funds against the congestion costs as proposed therein, we  
20 would make an appropriate adjustment to the reconciliation account at that time.

21  
22  
23 **VI. Litigation Costs**

24 Q. Is the Company incurring costs associated with the litigation with the suppliers?

25 A. Yes. The Company has already incurred outside legal costs associated with the dispute with  
26 TransCanada over the fuel index payments. We expect the legal costs associated with this



1 dispute to grow substantially as the litigation proceeds.

2  
3 Q. Is the Company seeking recovery of these litigation costs from customers?

4 A. No. Typically, we would not seek recovery of such litigation costs outside the context of a rate  
5 case, unless there is a specific settlement approved by the Commission that authorizes such  
6 recovery, or an exogenous event is implicated under the rate plan. Thus, in our efforts to protect  
7 customers, the Company expects to incur substantial legal costs that are not being recovered from  
8 customers.

9  
10 **VII. Conclusion**

11 Q. Does this conclude your testimony?

12 A. Yes.  
13  
14  
15  
16

Exhibits of  
Ronald T. Gerwatowski



UNITED STATES DISTRICT COURT  
DISTRICT OF MASSACHUSETTS  
(CENTRAL DIVISION)

TRANSCANADA POWER MARKETING LTD.

Plaintiff,

v.

NARRAGANSETT ELECTRIC COMPANY

Defendant,

C.A. No. \_\_\_\_\_

**05-40076**

RECEIPT # 404571  
AMOUNT \$ 260.00  
SUMMONS ISSUED ☒  
LOCAL RULE 4.1 ☒  
WAIVER FORM ☒  
MCF ISSUED ☒  
BY DPTY. CLK. S. Jones  
DATE 5/17/05

**COMPLAINT**

Plaintiff TransCanada Power Marketing, Ltd. ("TransCanada") brings this action against Narragansett Electric Company ("Narragansett") for breach of contract, contractual indemnity, breach of the implied covenant of good faith and fair dealing, and for a declaratory judgment.

**PARTIES**

1. Plaintiff TransCanada is a Delaware corporation with a principal place of business at 11 Turnpike Road, Westborough, Massachusetts. TransCanada is a power marketing company that purchases electricity from generation sources, such as power plants, and resells that electricity to retail electric distribution companies and other customers throughout the northeastern United States.

2. Defendant Narragansett is a Rhode Island corporation with a principal place of business at 280 Melrose Street, Providence, Rhode Island. Narragansett is a retail electric distribution company engaged in the transmission and distribution of electricity to retail end-customers in Rhode Island. Narragansett's predecessors include two retail electric distribution

companies in Rhode Island formerly known as Blackstone Valley Electric Company (“Blackstone”) and Newport Electric Company (“Newport”), both of which merged into Narragansett in 2000.

### JURISDICTION AND VENUE

3. This Court has jurisdiction under 28 U.S.C. § 1332, as the amount in controversy exceeds \$75,000. Venue is proper in this Court under 28 U.S.C. § 1391(a)(1), (2) and (3).

### FACTS

#### Industry Background: The URA

4. In 1996, Rhode Island passed a Utility Restructuring Act (the “URA”). The general objective of the URA was to deregulate electric power supply and develop a competitive retail market for electricity in Rhode Island. During the same time period, a similar electricity deregulation process was ongoing in Massachusetts.

5. The URA required that electric distribution companies in Rhode Island divest ownership of their electricity generation facilities, and offer so-called “Retail Access” to Rhode Island retail customers. R.I.G.L. 39-1-27.3 (1997). As envisioned by the URA, Retail Access required each retail electric distribution company to allow its customers to purchase electricity from non-affiliated retail suppliers, and further required each retail distribution company to transport that purchased electricity over the retail distribution company’s own lines from the alternative supplier to the customer.

6. The URA also required that, during the transition to Retail Access, the retail distribution companies provide a standard power supply (a “Standard Offer Service”) to Rhode Island retail customers through 2009, at a set of regulated prices. R.I.G.L. 39-1-27.3(d) (1997). The purpose of the Standard Offer Service was to provide Rhode Island retail customers a stable,

competitively-priced source of electricity during the transition period to a competitive Retail Access market, for those customers that had not yet obtained an alternative electricity supplier.

7. Under the URA, the Standard Offer Service was to be priced to account for increases in the consumer price index, and also for other factors reasonably beyond the control of power suppliers such as “extraordinary fuel costs.” R.I.G.L. 39-1-27.3(d) (1997). The URA required the retail distribution companies to file tariffs with the Rhode Island Public Utilities Commission (“PUC”) to implement Standard Offer Service through 2009, for the benefit of both wholesale and retail customers and their suppliers. R.I.G.L. 39-1-27(a) (1997).

#### Implementation of the URA

8. Blackstone and Newport were retail electric distribution companies in Rhode Island at the time of enactment of the URA, and were wholly-owned subsidiaries of Eastern Utilities Associates (“EUA”), a public utility holding company. EUA also owned a retail electric company in Massachusetts, Eastern Edison Company (“Eastern,” and, collectively with Blackstone and Newport, the EUA retail “Companies”).

9 At the time of enactment of the URA, the EUA Companies purchased their electricity, which they then supplied to their retail customers, from an affiliated wholesale electricity supplier, Montaup Electric Company (“Montaup”). To comply with the URA (and a Massachusetts counterpart), the Companies were required to terminate their wholesale supply contracts with Montaup, and allow their retail customers to have Retail Access to alternative suppliers; Montaup was also required to divest its generation facilities.

10. On October 17, 1997, in order to implement the URA, Blackstone, Newport, and Montaup entered into a Stipulation and Agreement with the PUC, as well as the Rhode Island Division of Public Utilities and Carriers (“Division”) (hereinafter, the “RI Settlement

Agreement”). The RI Settlement Agreement was approved by the Federal Energy Regulatory Commission (“FERC”). A similar Stipulation and Agreement was executed in Massachusetts and also approved by FERC (the “MA Settlement Agreement,” and, collectively with the RI Settlement Agreement, the “Settlement Agreements”).

11. In order to ensure a steady supply of Standard Offer Service, Montaup was required under the RI Settlement Agreement to provide Blackstone and Newport with a guaranteed, “Backstop” supply of Standard Offer Service through the required term of Standard Offer Service in Rhode Island (through 2009).<sup>1</sup> Blackstone and Newport were in turn required to seek alternative wholesale suppliers for Standard Offer Service during that term, and Montaup was to be released from its Backstop obligation to the extent Blackstone and Newport were able to obtain replacement contracts. In order to ensure a Standard Offer Service to Rhode Island retail customers through 2009, however, Montaup’s Backstop obligation required it to provide Standard Offer Service to Blackstone and Newport through 2009 to the extent those companies did not obtain alternative wholesale Standard Offer Service supply contracts.

12. The RI Settlement Agreement required that Montaup assign to the purchaser of any divested Montaup generation asset a commensurate share of Montaup’s Backstop obligation. Thus, any purchaser of Montaup’s generation assets was required to assume a share of Montaup’s Backstop Standard Offer Service obligations to Blackstone and Newport.

13. Consistent with the pricing scheme for Standard Offer Service set forth in the URA, the RI Settlement Agreement provided that Montaup and its successors and assigns were to provide Standard Offer Service to Blackstone and Newport in exchange for a stipulated set of base prices rising over time, subject to a “fuel index” to account for future extraordinary fuel

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<sup>1</sup> Massachusetts required electric distribution companies to provide standard offer service only through 2004, and hence the MA Settlement Agreement imposed upon Montaup a Backstop obligation in Massachusetts only through 2004.

costs, through 2009. The purpose of the fuel index, as envisioned by the URA and Settlement Agreements, was to ensure that wholesale Standard Offer Service suppliers would be protected against the downside risk of future extraordinary increases in fuel costs, so that they would be able to agree to the desired long-term Standard Offer Service supply contracts for the benefit of Rhode Island retail customers.

#### TransCanada's WSOS Agreement

14. On April 7, 1998, TransCanada and Montaup entered into an Asset Purchase Agreement whereby TransCanada purchased certain electricity generation assets of Montaup (the "Asset Purchase Agreement"). TransCanada was thereby also required by the RI and MA Settlement Agreements to assume a percentage share of Montaup's Backstop obligation to provide Standard Offer Service to Blackstone, Newport and Eastern.

15. TransCanada and Blackstone, Newport and Eastern (collectively, the EUA "Companies") therefore entered into a Wholesale Standard Offer Service Agreement dated April 7, 1998 (the "WSOS Agreement," or "Agreement," attached hereto as Exhibit A), which is governed by Massachusetts law. In the WSOS Agreement, TransCanada agreed to assume a percentage share of Montaup's Standard Offer Service obligations under the Settlement Agreements, to Blackstone and Newport through 2009 (the term of the Standard Offer Service in Rhode Island); and to Eastern through 2004 (the term of the Standard Offer Service in Massachusetts). (*See* Agreement, § 3 & App. A.)

16. Under the WSOS Agreement, and as specified in the Settlement Agreements and the URA, TransCanada was to receive a price for delivering Standard Offer Service consisting of the stipulated set of base prices rising over time (the "Standard Offer Wholesale Price"), plus a fuel index (the "Fuel Adjustment Factor") to account for future extraordinary fuel costs. Under



the WSOS Agreement, the Fuel Adjustment Factor was to be calculated based upon the tariffs that Blackstone and Newport were required to file in accordance with the URA and Settlement Agreements. Specifically, Agreement Article Five provides that:

For each kilowatt-hour of Delivered Energy that Supplier [TransCanada] provides in each month..., the Companies shall pay Supplier the applicable Price for the month in cents per kilowatt hour calculated as follows:

Price = Standard Offer Wholesale Price + Fuel Adjustment Factor

Where: Standard Offer Wholesale Price in cents per kilowatt hour is as defined in Article 1 and shown in Appendix A, and

Fuel Adjustment Factor is a cents per kilowatt-hour adder based on the incremental revenues collection, if any, attributed to the operation of the retail Rate Fuel Adjustment mechanism in the Companies' Standard Offer Service Tariffs. ... The Retail Fuel Adjustment, and the resulting Fuel Adjustment Factor to be paid to Supplier, will be made subject to regulatory approval and only to the extent the Companies are allowed to collect such revenues from the retail customers taking Standard Offer Service.

17. The Agreement imposed upon Blackstone and Newport a good faith obligation to make the required Standard Offer Service Tariff filings, and to use reasonable efforts to obtain regulatory approval for a Fuel Adjustment Factor to be paid to TransCanada over the 2009 term of the Agreement.

18. The Agreement provided TransCanada with indemnity and termination rights in the event that any government or regulatory agency amended the Standard Offer Service in a manner which materially increased TransCanada's obligations or costs to provide Standard Offer Service under the Agreement. Specifically, Article 8.3 of the Agreement provides:

In the event that the Standard Offer Service or the Terms and Conditions for Suppliers are terminated, amended or replaced by any governmental or regulatory agency having jurisdiction over the provision of Standard Offer Service in a manner which materially increases the Supplier's costs or obligations to provide Standard Offer Service, the Companies shall promptly reimburse the Supplier for any costs or increased obligations or otherwise provide relief reasonably acceptable to supplier to or indemnify the Supplier from such changes. ... In the

event that the Parties are not able to agree on ... the amount to be reimbursed, ... either Party may terminate this Agreement on sixty (60) days written notice ....

19. The Agreement also provided TransCanada with termination rights, and damages rights, in the event that the Companies failed to perform any of their obligations under the Agreement. Specifically, the Agreement provides that, upon an uncured default by any of the Companies, TransCanada has the right to recover direct damages resulting from the default; to pursue all other remedies and damages provided for by law; and to terminate the Agreement upon sixty (60) days notice. (Agreement, § 7(1), (2).) Finally, the Agreement provides that TransCanada is entitled to recover interest on any improperly withheld payments. (*Id.* § 6.)

#### The Narragansett Merger

20. From the signing of the Agreement in April 1998 through early 2000, Blackstone and Newport filed the required Standard Offer Service Tariffs with the PUC on a periodic basis. Blackstone and Newport thereby obtained approval of the Standard Offer Wholesale Prices and a Fuel Adjustment Factor for 1999 and 2000, as required by the Agreement.

21. In 2000, Blackstone and Newport merged into Narragansett, another retail electric distribution company in Rhode Island. At the same time, Eastern merged into Massachusetts Electric Company (“Mass. Electric”), another retail distribution company in Massachusetts.

22. Narragansett and Mass. Electric were at the time (and still are, upon information and belief) wholly-owned subsidiaries of National Grid USA (“National Grid”). Through the comprehensive merger, all of EUA’s former retail distribution companies in Rhode Island and Massachusetts, consisting of Blackstone, Newport, and Eastern, merged into the corresponding Rhode Island and Massachusetts retail distribution companies of National Grid, consisting of Narragansett and Mass. Electric.

23. By way of the Rhode Island portion of the merger, Narragansett became the retail electric distribution company both for the previous retail customers of Blackstone and Newport in Rhode Island (hereinafter the former “EUA Zone”), as well as its own previous retail customers in its former area (hereinafter the old “Narragansett Zone”).

24. The PUC approved the Narragansett merger in March, 2000. At the request of Narragansett, the PUC cancelled the former Blackstone and Newport Standard Offer Service Tariffs and ruled that Narragansett could continue to obtain payment for Standard Offer Service in both its new EUA Zone and in its old Narragansett Zone through Narragansett’s own and future Standard Offer Service Tariffs and related filings.<sup>2</sup>

#### Narragansett’s Wrongful Conduct

25. On April 18, 2000, Narragansett sent a letter to TransCanada giving notice of the merger, and stating that Narragansett would succeed to and assume the obligations of Blackstone and Newport under the WSOS Agreement. The letter further assured TransCanada, as required for valid assignment of the Agreement in the case of a merger, that the obligations of the parties “are not affected by the merger and assignments.” Narragansett’s letter further stated that Narragansett would continue to make Fuel Adjustment payments to TransCanada “after 1999,” according to the mechanism previously established in the RI Settlement Agreement and in the Blackstone and Newport Standard Offer Service Tariffs.

26. Unbeknownst to TransCanada, however, Narragansett began planning even at the time of the merger to deny TransCanada the Fuel Adjustment Factor it had bargained for in the

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<sup>2</sup> Narragansett, like Blackstone and Newport, had entered into its own Settlement Agreement with the PUC in 1997, which also required Retail Access and divestiture of generation assets. Narragansett’s Settlement Agreement required Narragansett to provide Standard Offer Service at the same set of stipulated prices and fuel adjustment triggers as in Blackstone’s and Newport’s RI Settlement Agreement. Like Blackstone and Newport, Narragansett also subsequently entered into Standard Offer Service supply contracts with a number of wholesale Standard Offer Service suppliers. Narragansett was required, like Blackstone and Newport, to file tariffs under the URA to implement the Standard Offer Service for the benefit of its customers and suppliers.

WSOS Agreement. It was to Narragansett's benefit not to pay a Fuel Adjustment Factor, particularly in times of rising fuel prices, in order to reduce its overall expenses and costs. Fuel prices began rising at the time of Narragansett's merger, and the Fuel Adjustment Factors in Narragansett's and Blackstone's and Newport's wholesale Standard Offer Service supply contracts had been triggered.

27. Nevertheless, Narragansett thereafter and through the end of 2004 continued to pay TransCanada for Standard Offer Service as required under the Agreement, including both the base Wholesale Standard Offer Price and a Fuel Adjustment Factor. Fuel prices continued to rise, however, and Fuel Adjustment Factor payments to TransCanada and other wholesale Standard Offer Service suppliers became a regular component of the price paid by Narragansett to its suppliers for Wholesale Standard Offer Services.

28. In May, 2003, unbeknownst to TransCanada, Narragansett began to argue affirmatively before the PUC that its suppliers in the former EUA Zone should not be paid a Fuel Adjustment Factor after 2004. The PUC expressed concern about Narragansett's position, and Narragansett stated to the PUC both that it had discussed its intended position with all of its EUA Zone suppliers and that, while the suppliers had not affirmatively agreed with Narragansett's position, none of those suppliers had raised objection. These were blatant misrepresentations, as Narragansett neither notified nor discussed with TransCanada at any time Narragansett's intention not to provide Fuel Adjustment Factor payments under the Agreement after 2004.

29. In July 2004, Narragansett again told the PUC that it should make no provision for a Fuel Adjustment Factor in the former EUA Zone after 2004. The PUC again expressed concern, both about the merit of Narragansett's position and about whether Narragansett's EUA Zone suppliers had been notified and agreed with Narragansett's position. In response,

Narragansett argued against TransCanada's right to a Fuel Adjustment Factor, and again misrepresented both that it had discussed the matter with all of its EUA Zone suppliers and that none of those suppliers had affirmatively disputed Narragansett's position. Narragansett also falsely assured the PUC that, in the event a dispute developed, TransCanada had no ability to terminate the WSOS Agreement in the event that it failed to receive Fuel Adjustment Factor payments after 2004.

30. In December, 2004, Narragansett filed with the PUC its proposed Standard Offer Service Tariffs and rates for 2005. Narragansett specified that no Fuel Adjustment Factor should be granted to TransCanada (or any other EUA Zone suppliers) in 2005. As a result of that filing, and Narragansett's arguments and previous misstatements to the PUC, the PUC approved Standard Offer Service Tariffs and rates for 2005 that provide no allocation for a Fuel Adjustment Factor for TransCanada.<sup>3</sup> At the same time, Narragansett continued to request and obtain approval for a Fuel Adjustment Factor in 2005 for its suppliers in the old Narragansett Zone. TransCanada was never made aware of any of Narragansett's filings or arguments at the PUC in 2003 and 2004.

31. In February, 2005, TransCanada learned for the first time that Narragansett did not plan to pay TransCanada any Fuel Adjustment Factor after 2004, or indeed for the last five years of the WSOS Agreement. TransCanada discovered this position only after receiving Narragansett's calculation of the amount payable for Standard Offer Service delivered in January, 2005, which noticeably omitted any payment for a Fuel Adjustment Factor. The expected amount of that unpaid Fuel Adjustment Factor, just for January, 2005, totaled over

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<sup>3</sup> When asked in December 2004 whether it had had further discussions with its EUA Zone suppliers since its previous statements, Narragansett admitted in a half-truth at that point that it had not had *recent* discussions with all of its suppliers.

\$320,000.00. The Fuel Adjustment Factor each subsequent month has been similar, and is expected to remain substantial in future months.

32. On March 1, 2005, TransCanada provided written notice of default under the WSOS Agreement. Narragansett has thereafter refused to cure or change its position, or to indemnify or reimburse TransCanada under Article 8(3) of the Agreement for loss of the Fuel Adjustment Factor.

33. Narragansett also continues to dispute TransCanada's right to terminate the WSOS Agreement. Narragansett has further threatened that its National Grid affiliates will withhold payments owed to TransCanada under the Asset Purchase Agreement if TransCanada proceeds to terminate the WSOS Agreement.

34. Narragansett's breaches of its obligations under the WSOS Agreement have deprived TransCanada of its contractual rights to payment of a Fuel Adjustment Factor under the Agreement. These breaches have caused and are continuing to cause TransCanada substantial and ongoing damages.

Count I  
(Breach of Contract)

35. TransCanada repeats and incorporates by reference paragraphs 1 through 34 above.

36. Narragansett has breached the WSOS Agreement through the acts described above, including (a) its failure to file for or make a reasonable effort to obtain regulatory approval of a Fuel Adjustment Factor after 2004, (b) its failure to pay a Fuel Adjustment Factor to TransCanada as required under the Agreement; and (c) its failure to indemnify or reimburse TransCanada as required by Article 8(3) of the Agreement for regulatory loss of the Fuel Adjustment Factor.

37. As a result of these breaches, TransCanada has suffered and will continue to suffer monetary damages. TransCanada is entitled to terminate the Agreement, and to an award of its damages and interest.

Count II  
(Contractual Indemnification)

38. TransCanada repeats and incorporates by reference paragraphs 1 through 37 above.

39. The PUC's abolishment of the Blackstone and Newport tariffs, and its subsequent approval of Standard Offer Service Tariffs for 2005 that do not include a Fuel Adjustment Factor in the EUA Zone, have amended the Standard Offer Service in a manner that has materially increased TransCanada's costs and obligations to provide Standard Offer Service under the Agreement. These regulatory changes were made by the PUC at the express request of Narragansett.

40. Under Article 8(3) of the WSOS Agreement, Narragansett is obligated to indemnify or otherwise reimburse TransCanada for loss of the expected Fuel Adjustment Factor.

Count III  
(Breach of the Implied Covenant of Good Faith and Fair Dealing)

41. TransCanada repeats and incorporates by reference paragraphs 1 through 40 above.

42. The Agreement contains an implied covenant of good faith and fair dealing.

43. Narragansett has breached the covenant of good faith and fair dealing implied in the Agreement through its conduct described above, including but not limited to its various contractual breaches, its misleading behavior with TransCanada and the PUC, its concealment of

its planned breach of the Agreement, and its expropriation to its own benefit of TransCanada's rights under the Agreement.

44. As a result of these breaches, TransCanada has suffered and will continue to suffer substantial monetary damages. TransCanada is entitled to terminate the Agreement, and to an award of damages and interest.

Count IV  
(Declaratory Relief under G.L. c 231A: Right to Terminate)

45. TransCanada repeats and incorporates by reference paragraphs 1 through 44 above.

46. An actual controversy exists as to whether Narragansett has breached the WSOS Agreement, and whether TransCanada has the right to terminate the Agreement, including under its Articles 7(2) and/or 8(3).

47. TransCanada requests a declaratory judgment that Narragansett has breached the terms of the WSOS Agreement; that Narragansett has failed to cure the breach; and that TransCanada has the unconditional right, in addition to the right to recover damages and interest, to terminate the WSOS Agreement immediately.



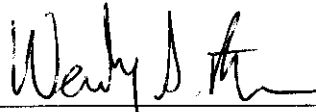
WHEREFORE, TransCanada requests the following relief:

1. Judgment in its favor on all counts.
2. An award of damages, including interest, in an amount to be determined at trial.
3. A declaratory judgment that Narragansett has breached the terms of the WSOS Agreement; that Narragansett has failed to cure the breach; and that TransCanada has the unconditional right, in addition to the right to recover damages and interest, to terminate the WSOS Agreement immediately.
4. An award of its costs, and such other and further relief as this Court deems just and proper.

Respectfully submitted,

TRANSCANADA POWER MARKETING

By its attorneys,



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Wholesale Standard Offer  
Service Agreement

between

Blackstone Valley Electric Company

Eastern Edison Company

Newport Electric Corporation

and

TransCanada Power Marketing Ltd.

April 7, 1998

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Appendix A Schedule of Supplier's Share of Offer Service and Standard Offer Wholesale Price

## WHOLESALE STANDARD OFFER SERVICE AGREEMENT

This Wholesale Standard Offer Service Agreement ("Agreement"), is made and entered into this seventh day of April, 1998, between Eastern Edison Company, ("Eastern") a Massachusetts Corporation; Blackstone Valley Electric Company ("Blackstone"), a Rhode Island Corporation; and Newport Electric Corporation ("Newport"), a Rhode Island Corporation (referred to collectively as the "Companies"), on the one hand, and TransCanada Power Marketing Ltd., a Delaware Corporation, ("Supplier"), on the other hand.

WHEREAS, the Supplier will purchase certain electric resources from Montaup Electric Company, under an asset purchase agreement, (the "Asset Purchase Agreement") dated April 7, 1998; and as condition of such purchase and sale Supplier is required to assume a share of the Companies' Standard Offer Service under this Agreement; and

WHEREAS, the Companies are required to provide firm all- requirements service to any retail customer that is eligible for and is taking Standard Offer Service in accordance with the Settlement Agreements; and

WHEREAS, this Agreement provides for the transfer, from the Companies to Supplier, of the responsibility for providing firm all-requirements electric service including capacity, energy, reserves, losses and other related services necessary to serve a specified share of the Companies' aggregate load of retail customers taking Standard Offer Service; and

WHEREAS, by entering into this Agreement, Supplier agrees to provide and the Companies agree to receive and pay for electricity provided in accordance with the terms and conditions of this Agreement and the applicable Appendices, subject to any actions by any governmental bodies having regulatory jurisdiction over services rendered hereunder.

NOW, THEREFORE, in consideration of the mutual promises, covenants, and agreements contained herein, Supplier and Companies agree to the terms and conditions as set forth below:

ARTICLE 1. Definitions:

Whenever used in this Agreement, the following terms shall have the following meanings:

"Affiliate" shall mean any other entity (other than an individual) that, directly or indirectly, through one or more intermediaries, controls, or is controlled by, or is under common control with, such entity. For purposes of the foregoing the definition of "control" means the direct or indirect ownership of more than seventy percent of the outstanding capital stock or other equity interest having ordinary voting power.

"Agreement" shall mean this Agreement, including its Appendices as amended from time to time.

"Commencement Date of Service" shall mean the Effective Date as defined in the Asset Purchase Agreement.

"Contract Year" shall mean any calendar year, or in the case of 1998 part of a calendar year, after the Commencement Date of Service in which Supplier is scheduled to provide electricity to the Companies for Standard Offer Service.

"Companies' System" shall mean the electrical distribution systems of Blackstone, Newport, Eastern, and/or the electrical transmission system of Montaup Electric Company, as applicable.

"Delivered Energy" shall mean the kilowatt-hours delivered to the meters of those retail customers taking Standard Offer Service.

"Delivery Point" shall be any location on the NEPOOL PTF system or Companies' System.

"D.T.E." shall mean the Massachusetts Department of Telecommunications and Energy.

"ISO" shall mean ISO New England, Inc., the independent system operator established in accordance with the Restated NEPOOL Agreement, or its successor.

"NEPOOL" shall mean the New England Power Pool or its successor.

"Party" or "Parties" shall mean the Supplier and the Companies and their respective successors and assigns.

"PPA Transfer Agreement" shall mean the PPA Transfer Agreement as defined in the Asset Purchase Agreement.

"Price" shall mean the annual amount per kilowatt-hour to be paid for Delivered Energy set forth in Article 5 with no variation for time-of-use, seasonality, or any other factor except as specified in Article 5. The Companies or their Standard Offer customers shall not be obligated

under this Agreement for any payments for Delivered Energy in addition to the payments made pursuant to Article 5.

"PTF" shall mean the facilities categorized as Pool Transmission Facilities as defined in the Restated NEPOOL Agreement.

"P.U.C." shall mean the Rhode Island Public Utilities Commission.

"Restated NEPOOL Agreement" shall mean the New England Power Pool Agreement dated December 31, 1996, as amended from time to time, as it is in force at the time the action in question is taken.

"Settlement Agreements" shall mean the agreement or agreements that have been approved by the MDTE in Docket No. 96-24, the RIPUC in Docket No. 2514 and by the FERC in Docket Nos. ER97-2800-000 and ER97-3127-000 together with all conditions, terms and modifications imposed by those agencies as of the date of this Agreement.

"Standard Offer Service" shall mean firm all-requirements electric service (minute by minute, hour by hour, day by day) including, but not limited to: energy, installed capability, operable capability, reserves, and associated losses necessary to fulfill all NEPOOL and ISO obligations as they may change from time to time associated with providing firm all requirements power to the Companies' retail customers taking Standard Offer Service in accordance with and as defined in the Settlement Agreements. Supplier is responsible for changes in customer demand for any reason, including, but not limited to, seasonal factors, daily load fluctuations, increased or decreased usage, demand side management activities, extremes in weather, and other similar events.

"Standard Offer Wholesale Price" shall mean the stipulated stream of prices, in cents per kilowatt-hour, that will be paid to suppliers of Standard Offer Service for Delivered Energy, as shown in Appendix A.

"Terms and Conditions for Suppliers" shall mean the Blackstone Valley Electric Company and Newport Electric Corporation Terms and Conditions for Electric Power Suppliers dated May 29, 1997 as approved by the P.U.C., or the Eastern Edison Company Terms and Conditions for Competitive Suppliers as approved by the D.T.E., as applicable. These Terms and Conditions may be revised, amended, supplemented, or supplanted in whole or in part from time to time by the P.U.C. or D.T.E. or as otherwise provided by law.

## ARTICLE 2. Term:

The term of this Agreement shall begin on the Commencement Date of Service and end at 12:00 midnight on December 31, 2009, unless terminated sooner in accordance with Article 7 or 8.

## ARTICLE 3. Supplier Responsibilities

Supplier shall be a member, in good standing, of NEPOOL or its successor entity and maintain an own-load dispatch or settlement account established in accordance with the rules and criteria established by the ISO throughout the term of this agreement. In addition, Supplier must satisfy registration and certification requirements, as the case may be, as a Non-Regulated Power Producer in Massachusetts and Rhode Island.

Supplier is responsible for providing firm all-requirements service necessary to serve its share, as shown in Appendix A attached hereto, of the Companies aggregate load attributed to those customers taking Standard Offer Service.

As a provider of Standard Offer Service, Supplier is solely responsible for satisfying all requirements and paying all costs incurred or to be incurred to provide those services including, without limitation, all costs or other requirements to furnish installed capability, operable capability, energy, operating reserves, automatic generation control and reactive power support, receipt of, and payment for, tie benefits, line losses and other ancillary services associated with the provision of its share of Standard Offer Service. Supplier is also solely responsible for meeting any other requirements and paying any other cost now or hereafter imposed by the ISO from time to time which are attributable to the provision of Standard Offer Service, as they may arise. If the ISO or any successor entity or the NEPOOL Administrator allocates any NEPOOL expenses or uplift costs to the Standard Offer Service provided by the Supplier (on a load or peak load basis or otherwise), the expenses or costs so allocated will be borne by the Supplier alone without recourse to the Companies.

Supplier shall be responsible for all transmission and distribution losses associated with the delivery of electricity supplied under this Agreement from the sources of its supply to the meters of those customers taking Standard Offer Service.

The Companies, in their regulated charges, will bill Standard Offer Service customers for NEPOOL Regional Network Transmission Service ("RNS"), any Local Area Network Transmission Service ("LNS") which is the transmission, if any, between the NEPOOL PTF and the Companies' distribution system, and for the Companies' distribution costs. Supplier is responsible for any transmission wheeling costs to the Delivery Point and any distribution wheeling costs associated with supply sources not included in Companies' approved distribution rates. If the NEPOOL control area experiences congestion, Supplier will be responsible for any congestion costs incurred in delivering power across the PTF system to the Companies. Supplier shall be responsible for all transmission and distribution costs associated with the use of transmission systems outside of NEPOOL and any local point-to-point transmission charges and distribution charges incurred to deliver the power to the NEPOOL PTF.

In the event that either the D.T.E. or the P.U.C. issue orders requiring the Companies to implement uniform disclosure requirements that pertain to the reporting of information regarding power plant emissions, fuel types, or labor information for the sources of electricity used to supply Standard Offer Service, the Supplier will provide such information in a timely manner in an appropriate form to enable the Companies to comply with such requirements.

#### ARTICLE 4. Estimation of Hourly Loads and Reporting to the ISO:

To meet their NEPOOL obligations, the Companies shall report to the ISO Supplier's share of hourly Standard Offer Service load, including distribution and non-PTF losses. In making such reports, the Companies will estimate Supplier's share of Standard Offer Service load based on the methods and procedures approved in Terms and Conditions for Suppliers on file with the P.U.C. and D.T.E., as amended from time to time, as applicable.

As required by NEPOOL, the Companies will make all reasonable efforts to report to the ISO Supplier's hourly share of Standard Offer Service load by 12:00 noon of the second following business day.

As described in the Terms and Conditions for Suppliers, at the end of each month, the Companies shall aggregate Supplier's hourly Standard Offer Service loads for the month as reported to the ISO. The Supplier's aggregate share of Standard Offer Service, not including losses will be deemed to be the quantity of Delivered Energy that Supplier provided for that month and is the unadjusted kWh amount to be used for Billing and Payment as described in Article 6.

The Companies will periodically reconcile the Delivered Energy to actual meter readings of those customers taking Standard Offer Service, as described in the Terms and Conditions for Suppliers. The Companies will apply any resulting billing adjustment (debit or credit) to Supplier's account no later than the last day of the third month following the billing month.

#### ARTICLE 5. Price:

For each kilowatt-hour of Delivered Energy that Supplier provides in each month, as determined in accordance with Article 4 and the Terms and Conditions for Suppliers, the Companies shall pay Supplier the applicable Price for the month in cents per kilowatt-hour calculated as follows:

$$\text{Price} = \text{Standard Offer Wholesale Price} \\ + \text{Fuel Adjustment Factor}$$

Where: Standard Offer Wholesale Price in cents per kilowatt hour is as defined in Article 1 and shown in Appendix A, and

Fuel Adjustment Factor is a cents per kilowatt-hour adder based on the incremental revenues collected, if any, attributed to the operation of the retail Rate Fuel Adjustment mechanism in the Companies' Standard Offer Service tariffs. The incremental revenues attributed to the retail Fuel Adjustment will be fully allocated to Suppliers in proportion to the Standard Offer Service energy provided by each Supplier for the applicable billing month through the Fuel Adjustment Factor. The retail Fuel Adjustment, and the resulting Fuel Adjustment Factor to be paid to Supplier, will be made subject to



regulatory approval and only to the extent that the Companies are allowed to collect such revenues from their retail customers taking Standard Offer Service.

With the exception of any sales or gross receipts taxes which are required by law to be paid by Standard Offer Service customers, the Price for Delivered Energy as set forth herein includes all local, state and federal taxes, fees and assessments applicable as of the date hereof or which may be assessed or imposed in the future by any governmental authority with jurisdiction governing the sale of electricity covered by this Agreement.

**ARTICLE 6. Billing and Payments:**

Until reconciled with actual metered data pursuant to the Terms and Conditions of Suppliers, computations by the Companies of the charges for the purposes of billings hereunder shall be based on estimates of Supplier's Delivered Energy in accordance with Article 4 and the Price as determined in accordance with Article 5. The Companies shall calculate the amount payable to Supplier for a given month on or before the twentieth (20th) day of the following month. The calculation shall be provided to Supplier and shall show the total amount due and payable for the previous month. Each bill shall be subject to adjustment for any errors in arithmetic computation, estimating, reconciliation pursuant to the Terms and Conditions of Suppliers or otherwise only to the extent allowed by the terms of this Article 6.

On or before the last day of each month, Companies shall pay Supplier any amounts due and payable for the Delivered Energy provided by Supplier in the previous month ("Due Date"). Any amount remaining unpaid after the Due Date shall bear interest at the Prime Rate then in effect at the main office of BankBoston, or such other lending institution as agreed to by Companies and Supplier, from the Due Date to the date of payment by Companies.

If Supplier disputes the amount of any bill or payment, Supplier shall itemize the basis for its dispute in a written notice to Companies within fifteen days after the Due Date. Billing and payment disputes shall be handled in accordance with the provisions of Article 12 of this Agreement. Upon final resolution of the dispute, payment of any amount due to a Party under the terms of the resolution shall be made within thirty (30) days of the date thereof, together with interest from and after the original Due Date at the rate specified in this Article.

The Companies may make retroactive adjustments to any billing for a period of up to one year from the date of the original billing in order to reflect differences in charges resulting from receipt of more accurate data. Supplier may dispute such adjustment in writing within thirty (30) days of receipt of the proposed adjustment.

**ARTICLE 7. Events of Default, Liability, Relationship of the Companies:**

(1) Unless excused by a Force Majeure as described in Article 9, each of the following events shall be deemed to be an Event of Default hereunder:

(a) Failure of Supplier, in a material respect, to comply with, observe, or perform any covenant, warranty or obligation under this Agreement, and such failure is not cured or rectified within thirty (30) days after notice thereof from the Companies.

(b) Failure of the Companies, in a material respect, to comply with, observe, or perform any covenant, warranty or obligation under this Agreement, and such failure is not cured or rectified within thirty (30) days after notice thereof from the Supplier.

(2) Upon the occurrence of an Event of Default by the Companies, the Companies shall be liable to the Supplier for any direct damages resulting from the Event of Default. In addition, the Supplier may pursue any remedies or other damages provided for under law, and may unconditionally terminate this Agreement by giving at least sixty (60) days advance written notice to the Companies, such termination to be effective as of the date specified in such notice. Notwithstanding any other provision of this Agreement to the contrary, the rights and obligations of the Companies, herein are several and not joint. Each of the Companies share of such rights and obligations shall be determined by the portion that its monthly Standard Offer Service requirements represented as a percentage of the Companies' total Standard Offer Service requirements.

(3) Upon the occurrence of an Event of Default by the Supplier, the Supplier shall be liable to the Companies for all costs reasonably incurred by the Companies resulting from Supplier's failure to deliver its share of the Standard Offer Service. Such amount shall be calculated as the positive difference, if any, obtained by subtracting the per unit Price established in Article 5, from the per unit Replacement Price. The positive difference shall be applied to each kilowatthour that Supplier fails to deliver.

"Replacement Price" shall mean the price at which the Companies acting in a commercially reasonable manner purchase substitute Standard Offer Service not delivered by Supplier, plus any additional transmission and NEPOOL charges, incurred by the Companies. The parties hereby stipulate that purchases at the applicable NEPOOL spot market prices will be deemed commercially reasonable.

The Parties expressly agree that the amounts set forth in this Article 7 subparagraph (3) do not constitute liquidated damages. In addition to the amounts established in this Article 7 subparagraph (3) above, the Supplier shall be liable to the Companies for any additional direct damages resulting from an Event of Default, including, but not limited to, reasonable additional administrative and legal expenses incurred as a result of Supplier's failure to deliver, and the Companies may pursue any remedies or other damages provided for under law and may unconditionally terminate this Agreement by giving at least sixty (60) days advance written notice to the Supplier, such termination to be effective as of the date specified in such notice.

(4) As a condition of this Agreement, the Supplier shall deliver to the Companies, prior to the Commencement Date of Service, financial surety reasonably acceptable to the Companies to secure Supplier's performance under this Agreement. The Companies accept the Guarantee attached to the Asset Purchase Agreement as reasonable financial surety.

**ARTICLE 8. Termination/Reimbursement:**

(1) In addition to the termination rights for an Event of Default provided in Article 7, the Companies may terminate this Agreement, if:

- a. Supplier's share of Standard Offer Service load is less than one (1) megawatt for two consecutive months;
- b. The Companies are prevented by any government agency of competent jurisdiction from recovering from customers taking Standard Offer Service the cost of electricity provided by Supplier; or
- c. Any governmental or regulatory agency with jurisdiction over the Companies orders, implements, requires, or causes what the Companies determine, in their sole discretion, to be a material modification or amendment of Standard Offer Service.

(2) In the event of a material default by Montaup under the PPA Transfer Agreement between Supplier and Montaup, Supplier may unconditionally terminate the Agreement by giving at least sixty (60) days written notice to the Companies, such termination to be effective as of the date specified in such notice. In the event that the default by Montaup under the PPA Transfer Agreement is cured prior to the effective date of notice of termination, such termination will be cancelled and the Agreement will remain in full force and effect.

(3) In the event that the Standard Offer Service or the Terms and Conditions for Suppliers are terminated, amended or replaced by any governmental or regulatory agency having jurisdiction over the provision of Standard Offer Service in a manner which materially increases Supplier's costs or obligations to provide Standard Offer Service, the Companies shall promptly reimburse Supplier for any such costs or increased obligations or otherwise provide relief reasonably acceptable to supplier to or indemnify the Supplier from such changes. In such event the Companies and Supplier shall meet to determine the amount to be reimbursed to Supplier. In the event that the Parties are not able to agree on the materiality of the increased costs or obligations or the amount to be reimbursed, the Parties shall attempt to resolve the matter in accordance with Article 12 and failing resolution in accordance with Article 12, either Party may terminate this Agreement on sixty (60) days written notice to the other Party, such termination to be effective as of the date specified in such notice.

**ARTICLE 9. Force Majeure:**

As used in this Agreement, "Force Majeure" means any cause beyond the reasonable control of, and without the fault or negligence of, the Party claiming Force Majeure. A Force Majeure shall include, without limitation, sabotage, strikes, riots or civil disturbance, acts of God, acts of a public enemy, drought, earthquake, flood, explosion, fire, lightning, landslide, or any similar cataclysmic occurrence, or appropriation or diversion of electricity by sale or order of any governmental authority having jurisdiction thereof, but only if and to the extent that the event adversely affects the availability of the transmission or distribution facilities of NEPOOL and/or its participants, the Companies or an affiliate of the Companies, and such affected

facilities are necessary to deliver Standard Offer Service electricity to the Standard Offer Service customers.

An event that affects the availability or cost of operating any transmission or distribution facilities outside the NEPOOL control area, affects the availability or cost of operating a generating facility, or any event that merely causes an economic hardship to either Party shall not be deemed a Force Majeure.

If either Party is rendered wholly or partly unable to perform its obligations under this Agreement because of Force Majeure as defined above, that Party shall be excused from whatever performance is affected by the Force Majeure, to the extent so affected, provided that:

- (a) The non-performing Party promptly, but in no case longer than five (5) working days after the occurrence of the Force Majeure, gives the other Party written notice describing the particulars of the occurrence;
- (b) The suspension of performance shall be of no greater scope and of no longer duration than is reasonably required by the Force Majeure;
- (c) The non-performing Party uses reasonable efforts to remedy its inability to perform and expeditiously takes reasonable action to correct or cure the event or condition; and
- (d) The non-performing Party exercises all reasonable efforts to mitigate or limit damages to the other Party. With respect to the Supplier, this shall mean that Supplier must purchase, at its own expense, electricity from the NEPOOL market to meet its obligations under this Agreement, to the extent such electricity is available.

#### ARTICLE 10. Assignment:

Unless mutually agreed to by the Parties, no assignment, pledge, or transfer of this Agreement shall be made by either Party without the prior written consent of the other Party, which shall not be unreasonably withheld, except no prior written consent shall be required for (i) the assignment, pledge or other transfer to another company or Affiliate in the same holding company system as the assignor, pledgor or transferor, provided, the assignee, pledgee or transferee expressly assumes and demonstrates, to the reasonable satisfaction of the non-assigning Party, that it can meet the obligations of the assignor, pledgor or transferor under this Agreement, or (ii) the transfer, incident to a merger or consolidation with, or transfer of all (or substantially all) of the assets of the transferor, to another person or business entity, provided, such transferee expressly assumes and demonstrates, to the reasonable satisfaction of the non-assigning party, that it can meet all the obligations of the assignor, pledgor or transferor under this Agreement.

**ARTICLE 11. Successors and Assigns:**

This Agreement shall be binding upon and shall inure to the benefit of the Parties and their successors and assignees.

**ARTICLE 12. Resolution of Disputes:**

Subject to Section 3 of Article 7, all disputes between the Companies and Supplier resulting from or arising out of performance under this Agreement shall be referred to a senior representative of the Companies with authority to settle, designated by the Companies, and a senior representative of Supplier with authority to settle, designated by Supplier, for resolution on an informal, face-to-face basis as promptly as practicable. The Parties agree that such informal discussion shall be conducted in good faith. The discussions between such representatives shall be considered "settlement talks" under Rule 403 of the Federal Rules of Evidence or analogous Massachusetts rules or practices and such discussions shall have no evidentiary value provided, however, that either Party may introduce evidence of matters discussed in such settlement talks, if the facts and documents reflecting such matters are discovered or otherwise come into a Party's possession independent of such settlement talks. In the event the designated senior representatives are unable to resolve the dispute within thirty (30) days, or such other period as the Companies and the Supplier may jointly agree upon, such dispute may be submitted to arbitration and resolved in accordance with the arbitration procedure set forth herein if the Companies and Supplier jointly agree to submit it to arbitration. Nothing in this Article 12 shall prevent the Companies from issuing, pursuant to Sections 1(a) and (3) of Article 7, notice of failure to comply with, observe or perform this Agreement.

The arbitration shall be conducted before a single neutral arbitrator or arbitrator panel appointed by the Parties. If the Parties agree upon a single arbitrator within ten (10) days of the referral of the dispute to arbitration, that arbitrator shall serve, otherwise the Companies and Supplier shall each choose one arbitrator, who shall serve on a three-member arbitration panel. The two arbitrators so chosen shall within twenty (20) days select a third arbitrator to act as chairman of the arbitration panel. If the two arbitrators are unable to select a third arbitrator, each arbitrator shall select three candidates. A list of the six candidates, along with their resumes, shall be provided in alphabetical order, with no indication of the arbitrator who selected such candidate or the Party who selected the arbitrator who selected such candidate, to the American Arbitration Association ("AAA"), who will select one candidate. If that candidate is unable or unwilling to serve, AAA shall select another candidate. This process will be repeated until a third arbitrator is selected or the list of candidates is exhausted. If the list of candidates is exhausted, the arbitrators shall submit a new list of candidates and the process set forth above shall be repeated a second time. In all cases, the arbitrator(s) shall be knowledgeable in electric utility matters, including electricity transmission and bulk power issues, and shall not have any current or past substantial business or financial relationships with any Party to the arbitration or any affiliate of such Party.

Except as otherwise provided herein, the arbitrator(s), shall generally conduct the arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association. There shall be no formal discovery conducted in connection with the arbitration, except as specifically authorized by a vote of the panel. The Parties shall exchange witness lists

and copies of any exhibits that they intend to utilize in their direct presentations at any hearing before the arbitrator(s) at least ten (10) days prior to such hearing, along with any other information or documents specifically requested by the arbitrator(s) prior to the hearing. Unless otherwise agreed, the arbitrator(s) shall render a decision within ninety (90) days of his, her, or their appointment and shall notify the Parties in writing of such decision and the reasons therefor, and shall make an award apportioning the payment of the costs and expenses of arbitration, including panel costs, among the Parties, provided, however, that each Party shall bear the costs and expenses of its own attorneys, expert witnesses and consultants. The arbitrator(s) shall be authorized only to interpret and apply the provisions of this Agreement and shall have no power to amend or modify this Agreement in any manner. The decision of the arbitrator(s) shall be final and binding upon the Parties, and judgment on the award may be entered in any court having jurisdiction. The decision of the arbitrator(s) may be appealed solely on the grounds that the conduct of the arbitrator(s), or the decision itself, violated the standards required under the Federal Arbitration Act (9 U.S.C.A. § 1 et. al.) and/or The Uniform Arbitration Act, as adopted in Massachusetts (M.G.L. c. 251, § 1 et seq.).

**ARTICLE 13. Interpretation:**

The interpretation and performance of this Agreement shall be in accordance with and shall be controlled by the laws of the Commonwealth of Massachusetts, without regard to Massachusetts conflict of law principles.

**ARTICLE 14. Severability of Provisions:**

Subject to the provisions of Article 13, a holding by any court having jurisdiction that any provision of this Agreement is invalid or unenforceable shall not result in invalidation or unenforceability of the entire Agreement but all remaining terms shall remain in full force and effect.

**ARTICLE 15. Accounts and Records:**

The Companies and Supplier shall keep complete and accurate records of their operations hereunder and shall maintain such data for a period of at least two (2) years after final billing. The Companies and Supplier shall have the right, during normal business hours, to examine and inspect all such records insofar as may be necessary for the purpose of ascertaining the reasonableness and accuracy of all relevant data, estimates or statement of charges associated with service hereunder.

ARTICLE 16. Limitations on Liability and Indemnification:

Each Party agrees to indemnify, defend, and hold the other Party (including the other Party's affiliated companies, trustees, directors, board members, officers, employees, and agents) harmless from and against any and all damages, costs, claims, liabilities, actions or proceedings arising from or claimed to have arisen from the wrongful acts or omissions of the indemnifying Party's employees or agents, unless caused by an act of negligence or willful misconduct by the indemnified Party (including the Party's affiliated companies, trustees, directors, board members, officers, employees or agents).

The Parties hereby waive and release the other Party as well as the other Party's affiliated companies, trustees, directors, officers, employees, and agents from any liability, claim, or action arising from damage to its property due to the performance of this Agreement.

ARTICLE 17. Regulation:

(a) This Agreement and all rights, obligations, and performances of the Parties hereunder, are subject to all applicable state and federal laws, and to all duly promulgated orders and other duly authorized actions of governmental authority having jurisdiction, provided, however, that this Agreement shall not be subject to change through unilateral application under Sections 205 and 206 of the Federal Power Act.

(b) This Agreement must comply with all NEPOOL Criteria, Rules, and Standards ("Rules"). If, during the term of this Agreement, the Restated NEPOOL Agreement is terminated or amended in a manner that would eliminate or materially alter a Rule affecting a right or obligation of a Party hereunder, or if such a Rule is eliminated or materially altered by NEPOOL or the ISO, the Parties agree to negotiate in good faith in an attempt to amend this Agreement to incorporate such changes as they deem necessary to reflect the elimination or alteration of such Rule. The intent of the Parties is that any such amendment reflect, as closely as possible, the intent and substance of the Rule being replaced as was in effect prior to such termination or amendment of the Restated NEPOOL Agreement or elimination or alteration of the Rule. If the Parties are unable to reach agreement on such an amendment, the Parties agree to submit the matter to arbitration under the terms of Article 12, and to seek a resolution of the matter consistent with the above stated intent.

ARTICLE 18. Notices:

Any notice, demand, or request permitted or required under this Agreement shall be delivered in person or mailed by certified mail, postage prepaid, return receipt requested, or otherwise confirmed receipt, to a Party at the applicable address set forth below:

To Companies:

Director, Power Supply  
EUA Service Corporation  
P. O. Box 543  
750 West Center Street  
West Bridgewater, MA 02379

To Supplier:

TransCanada Power Marketing Ltd.  
3400, 237 - 4<sup>th</sup> Avenue S.W.  
Calgary, Alberta T2P 5A4

Such addresses may be changed from time to time by written notice by either Party to the other Party.

ARTICLE 19. Miscellaneous:

- (a) Each Party shall prepare, execute and deliver to the other Party any documents reasonably required to implement any provision hereof.
- (b) Each Party represents to the other that this Agreement and such Party's performance thereof are within the corporate powers of such Party and have been duly authorized by proper corporate action on the part of such Party.
- (c) Any number of counterparts to this Agreement may be executed and each shall have the same force and effect as the original.
- (d) This Agreement shall constitute the entire understanding between the Parties and shall supersede all prior correspondence and understandings pertaining to the subject matter of this Agreement.
- (e) Failure of either Party to enforce any provision of this Agreement or to require performance by the other Party of any of the provisions hereof, shall not be construed as a waiver of such provisions or affect the validity of this Agreement, any part hereof, or the right of either Party to thereafter enforce each and every provision.
- (f) Article and Section headings used throughout this Agreement are for the convenience of the Parties only and are not to be construed as part of this Agreement.
- (g) Nothing in this Agreement shall be construed as creating any relationship between the Parties other than that of independent contractor for the sale and purchase of electricity.
- (h) Notwithstanding any other provision of this Agreement to the contrary, the rights and obligations of the Companies herein are several and not joint. Each of the Companies share of such rights and obligations shall be determined by the portion of its monthly



Standard Offer Service energy requirements represented as a percentage of the Companies' total Standard Offer Service requirement.

IN WITNESS WHEREOF, Supplier and the Companies have caused this Agreement to be signed by their respective duly authorized representatives as of the date first above written.

Supplier:

TransCanada Power Marketing Ltd.

By: 

On Behalf of the Companies:

Blackstone:

BLACKSTONE VALLEY ELECTRIC COMPANY

By: 

Eastern:

EASTERN EDISON COMPANY

By: 

Newport:

NEWPORT ELECTRIC CORPORATION

By: 

**APPENDIX A**

**SCHEDULE OF SUPPLIER S SHARE of STANDARD OFFER SERVICE  
AND  
STANDARD OFFER WHOLESALE PRICE**

**TABLE 1**

<b>Calendar Year</b>	<b>Supplier's Share of Standard Offer Service <u>-In Percent</u></b>	<b>Standard Offer Wholesale <u>Price</u></b>
1999	14.4550%	3.5 cents/kWh
2000	14.4550%	3.8 cents/kWh
2001	14.4550%	3.8 cents/kWh
2002	14.4550%	4.2 cents/kWh
2003	14.4550%	4.7 cents/kWh
2004	14.4550%	5.1 cents/kWh
* 2005	14.4550%	5.5 cents/kWh
2006	14.4550%	5.9 cents/kWh
2007	14.4550%	6.3 cents/kWh
2008	14.4550%	6.7 cents/kWh
2009	14.4550%	7.1 cents/kWh

\* Standard Offer Service for Eastern Edison terminates  
at 12:00 midnight on December 31, 2004.



UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF RHODE ISLAND

THE NARRAGANSETT ELECTRIC  
COMPANY,

Plaintiff,

v.

TRANSCANADA POWER MARKETING  
LTD.,

Defendant.

CA 05 234 S

C.A. No. 05-

COMPLAINT

Plaintiff, The Narragansett Electric Company, brings this action against Defendant, TransCanada Power Marketing Ltd., for breach of contract and declaratory judgment.

PARTIES AND JURISDICTION

1. Plaintiff, The Narragansett Electric Company ("Narragansett"), is a Rhode Island corporation with its principal place of business at 280 Melrose Street, Providence, Rhode Island.

2. Defendant, TransCanada Power Marketing Ltd. ("TransCanada"), is a Delaware corporation with its principal place of business at 110 Turnpike Road, Westborough, Massachusetts.

3. This Court has jurisdiction over this action pursuant to 28 U.S.C. § 1332 as the amount in controversy exceeds \$75,000, exclusive of interest and costs, and Narragansett and TransCanada are citizens of different states.

### FACTS COMMON TO ALL COUNTS

4. Narragansett is a retail electric distribution company that supplies and delivers electricity to 465,000 retail end-use customers in 38 communities in Rhode Island. Narragansett provides such service pursuant to retail tariffs, and at rates and under terms and conditions that the Rhode Island Public Utilities Commission (the "Rhode Island Commission") approves and regulates.

5. TransCanada is a power marketing company that sells electricity at wholesale to Narragansett.

6. Blackstone Valley Electric Company ("Blackstone") and Newport Electric Corporation ("Newport") were retail electric supply and distribution companies in Rhode Island, and were wholly-owned subsidiaries of the Eastern Utilities Associates ("EUA"), a public utility holding company. EUA also owned Eastern Edison Company ("Eastern"), a retail electric supply and distribution company in Massachusetts, and Montaup Electric Company ("Montaup"), an affiliate of, and wholesale electricity supplier to, Blackstone, Newport and Eastern.

7. The Rhode Island Commission and the Rhode Island Division of Public Utilities and Carriers possess the exclusive power and authority to supervise, regulate, and issue orders governing the conduct of companies that provide energy to the public. They safeguard the public against improper and unreasonable rates and charges by providing full, fair, and adequate administrative procedures and remedies, and by securing a judicial review to any party aggrieved by such an administrative proceeding or ruling. R.I. Gen. Laws § 39-1-1(c).

8. On April 7, 1998, TransCanada and Montaup entered into an Asset Purchase Agreement. Pursuant to the Asset Purchase Agreement, TransCanada bought certain electricity generation assets of Montaup, namely, a power purchase agreement (“PPA”) between Montaup and the Ocean State Power generation station located in Burrillville, Rhode Island. The purchase was effectuated through a PPA Transfer Agreement. Also under the Asset Purchase Agreement, TransCanada agreed to provide to Blackstone, Newport and Eastern a specific percentage share of electric service that they needed to satisfy their electric supply obligations to their retail standard offer service customers. The supply obligation was effectuated through a Wholesale Standard Offer Service Agreement (“WSOS Agreement”) with Blackstone, Newport, and Eastern.

9. Under the WSOS Agreement, Blackstone, Newport and Eastern are to pay to TransCanada a “Standard Offer Wholesale Price,” which is defined as “the stipulated stream of prices, in cents per kilowatt-hour, that will be paid to suppliers of Standard Offer Service for Delivered Energy” as set forth in an appendix to the WSOS Agreement. WSOS Agreement, Art. 1, at 3; Appendix A, at 16. The schedule of prices rises over time and more than doubles during the ten-year term of the WSOS Agreement.

10. The WSOS Agreement also provides for the payment of a Fuel Adjustment Factor (“FAF”) upon the occurrence and satisfaction of a specific condition precedent. The FAF is defined as:

“... a cents per kilowatt-hour adder based on the incremental revenues collected, if any, attributed to the operation of the retail Rate Fuel Adjustment mechanism in the Companies’ Standard Offer Service tariffs. The incremental revenues attributed to the retail Fuel Adjustment will be fully allocated to Suppliers in proportion to the Standard Offer Service energy provided by each Supplier for the applicable billing month through

*the Fuel Adjustment Factor. The retail Fuel Adjustment, and the resulting Fuel Adjustment Factor to be paid to Supplier, will be made subject to regulatory approval and only to the extent that the Companies are allowed to collect such revenues from their retail customers taking Standard Offer Service.”*

WSOS Agreement, Art. 5, at 5-6 (emphasis added).

11. The WSOS Agreement clearly spells out, in the FAF clause, that the FAF is only payable to TransCanada upon the occurrence of the Rhode Island Commission issuing a very specific approval for Blackstone’s and Newport’s retail tariffs which govern the rates, terms and conditions of service to their standard offer service customers; namely, the inclusion of a Fuel Adjustment in the retail rates which allows Blackstone and Newport to collect an FAF payment from their retail customers who take service pursuant to the standard offer service tariff.

12. Blackstone’s and Newport’s Rhode Island Commission-approved retail standard offer service tariffs did not contain a Fuel Adjustment for 1998 and 1999 and did contain a Fuel Adjustment for each year from 2000 through 2004.

13. Effective May 1, 2000, Blackstone and Newport merged with and into Narragansett, and Eastern merged with and into Massachusetts Electric Company (“Massachusetts Electric”), a retail electric distribution company in Massachusetts. Narragansett and Massachusetts Electric are wholly owned by National Grid USA (“National Grid”), a public utility holding company.

14. Pursuant to the terms of the WSOS Agreement, TransCanada’s and Massachusetts Electric’s (as successor to Eastern) obligations that relate to service to Massachusetts Electric expired as of December 31, 2004. Accordingly, the only issues in



controversy are those that arise in relation to service in Rhode Island and retail rates as approved by the Rhode Island Commission.

15. The Rhode Island Commission approved the Narragansett-Blackstone and Newport merger (as well as the merger of their affiliates) in March of 2000 along with a rate settlement for the newly-merged entity and its customers. Order No. 16200, approving Third Amended Stipulation and Settlement, March 24, 2000, Docket 2930. As a result, Narragansett became the retail electric supplier and distribution company for Blackstone's and Newport's previous customers, in addition to its own existing customers.

16. On February 8, 2000, Narragansett's power supply manager informed TransCanada via letter of the merger, explained the manner in which the WSOS Agreement would be administered after the merger, and stated that the WSOS Agreement was not being modified in any way. The letter further stated that Narragansett would make FAF payments to TransCanada consistent with the Blackstone and Newport tariffs that the Rhode Island Commission had approved prior to the merger, and Eastern's approved tariffs in Massachusetts. It attached a Fuel Adjustment schedule consistent with that set forth in Blackstone's and Newport's retail standard offer service tariffs; that is, for each year from 2000 through 2004. Narragansett sent this letter to TransCanada in draft form and asked that TransCanada review it.

17. TransCanada and Narragansett's representative discussed the letter. After receiving no objection from TransCanada, on April 18, 2000, Narragansett's representative put the draft letter in final form and sent it to TransCanada.

18. In June of 2000, in a public proceeding before the Rhode Island Commission concerning Narragansett's proposed retail standard offer service rates, Narragansett stated, on the record, that the FAF for the former Blackstone and Newport wholesale standard offer service agreements ("EUA Zone wholesale standard offer service agreements") would end after 2004. Docket No. 3138. These agreements included the WSOS Agreement.

19. On May 28, 2003, in a public hearing before the Rhode Island Commission regarding Narragansett's retail standard offer service rates, Narragansett told the Rhode Island Commission that it was not obligated to make FAF payments under the EUA Zone wholesale standard offer service agreements (which included the WSOS Agreement) after 2004. Docket No. 3508.

20. In November of 2003, Narragansett made a filing with the Rhode Island Commission which included a forecast that reflected zero FAF payments under the EUA Zone wholesale standard offer service agreements after 2004. Docket No. 3571.

21. On July 1, 2004, Narragansett filed an application with the Rhode Island Commission to set its standard offer service rates effective as of October 1, 2004 based upon Narragansett's actual costs incurred through May 2004 and its estimated costs from June 1, 2004 through December 31, 2005. Consistent with the retail standard offer service tariffs that the Rhode Island Commission had approved for Blackstone and Newport, the FAF payments that Narragansett informed TransCanada it would continue to make upon the merger, and Narragansett's public statements to the Rhode Island Commission, this filing showed that Narragansett's proposed retail standard offer service rates did not include an amount for an FAF to be paid under the EUA Zone wholesale

standard offer service agreements (which include TransCanada under the WSOS Agreement).

22. The Rhode Island Commission approved Narragansett's standard offer service rates effective August 1, 2004 pursuant to an Open Meeting decision on July 26, 2004 and a written Order dated August 26, 2004. Order No. 17972, Docket No. 3571. The approved rates did not include an amount for an FAF to be paid under the EUA Zone wholesale standard offer service agreements beyond December 31, 2004.

23. Likewise, on November 10, 2004, Narragansett made another filing relating to retail standard offer service. This filing was also publicly noticed. A Bench Decision at a public hearing on December 13, 2004, which was confirmed by a written Order issued February 17, 2005, approved Narragansett's filing which was based on no FAF payments in relation to the EUA Zone wholesale standard offer service agreements (which include the WSOS Agreement).

24. Consistent with the foregoing, Narragansett did not make an FAF payment to TransCanada for the period beginning January 1, 2005.

25. Narragansett at all times provided public notice of its filings and hearing dates in accordance with the rules and regulations of the Rhode Island Commission. All members of the public, including suppliers, are invited to participate through the public comment process at the Commission. Orders of the Rhode Island Commission are publicly available. In recent years, all of Narragansett's rate filings are posted on the Rhode Island Commission's website prior to the hearings, as are all Rhode Island Commission orders shortly after their issuance.

26. On information and belief, TransCanada monitors these proceedings closely, but has never filed testimony or otherwise commented to the Rhode Island Commission or Narragansett (or its affiliates) as to whether Narragansett should request the Commission to approve an FAF after 2004.

27. On March 1, 2005, TransCanada sent a letter to Narragansett (a) claiming that Narragansett was in default of the WSOS Agreement by not providing for an FAF in its calculations; (b) asserting that Narragansett was in breach by its “[refusal] to comply with its obligations under Article V before the Rhode Island Public Utilities Commission with respect to its Standard Offer Service tariffs”; and (c) threatening to terminate the WSOS Agreement.

28. TransCanada’s reference to Narragansett’s lack of inclusion of an FAF in its calculations apparently refers to the calculations Narragansett performs prior to issuing payment. Narragansett’s calculation was accurate because TransCanada was not entitled to a payment for an FAF: the retail standard offer service rates did not include a Fuel Adjustment in relation to the WSOS Agreement.

29. TransCanada’s assertion regarding obligations under Article V (sic) appears to imply that Narragansett had an affirmative obligation to take an action before the Rhode Island Commission; however, the WSOS Agreement contains no such obligation.

30. TransCanada’s threat to terminate the WSOS Agreement is without cause and would itself constitute a breach of the WSOS Agreement.

31. At no point prior to March 1, 2005 did TransCanada provide Narragansett with a written notice of a dispute as required by the WSOS Agreement. The WSOS

Agreement states: "If Supplier disputes the amount of any bill or payment, Supplier shall itemize the basis for its dispute in a written notice to Companies within fifteen days after the Due Date." WSOS Agreement, Art. 6, at 6.

32. TransCanada's purported notice of default was and is baseless and was accompanied by threats to terminate the Agreement. Its action was a pretext to enable TransCanada to avoid performing a contract that was no longer economically advantageous to TransCanada, whether or not fuel payments were made.

33. A termination by TransCanada of the WSOS Agreement would not be justified, and would constitute a material breach; however, in order to preserve the benefit of the WSOS Agreement for its customers, and to deny TransCanada its pretextual argument for termination, Narragansett has paid to TransCanada, under protest, and with a full reservation of rights, a total of \$921,827.46. The payments were based upon a calculation using the FAF that had been approved by the Rhode Island Commission for recovery in rates through, but not after, December 31, 2004. The payments relate to the period of January 1 through March 31, 2005.

34. TransCanada had knowledge and notice of Narragansett's intention not to seek Commission approval for recovery of FAF payments from its customers after 2004, and it never objected at any point in time prior to early 2005. TransCanada's subsequent threat to terminate the WSOS Agreement constitutes an attempt to extort payments from Narragansett that are not due under the WSOS Agreement.

COUNT I  
(BREACH OF CONTRACT)

35. Narragansett repeats and realleges paragraphs 1 through 34 as stated above.

36. TransCanada has demanded FAF payments from Narragansett to which it is not entitled under the WSOS Agreement, and has threatened to terminate the WSOS Agreement without cause, in order to avoid performing an agreement that is no longer economically advantageous to TransCanada, with or without FAF payments.

COUNT II  
(DECLARATORY JUDGMENT)

37. Narragansett repeats and realleges paragraphs 1 through 36 as stated above.

38. TransCanada has threatened to terminate the WSOS Agreement even though TransCanada has no right to do so and no right to an FAF after 2004. Therefore, an actual controversy exists as to whether TransCanada has a right to terminate the WSOS Agreement.

COUNT III  
(BREACH OF THE COVENANT OF GOOD FAITH AND FAIR DEALING)

39. Narragansett repeats and realleges paragraphs 1 through 38 as stated above.

40. TransCanada has breached its obligation of good faith and fair dealing by:

(a) failing to object at any point in time prior to March of 2005 to Narragansett's stated intention to not provide in rates for collection of FAF payments from customers after 2004; (b) notifying Narragansett for the first time in early 2005 of TransCanada's expectation that Narragansett had an obligation to take an action before the Rhode Island Commission and its expectation that Narragansett was required to make such payments even absent approval to collect such costs in rates; and (c) threatening to terminate the

WSOS Agreement as a pretext in order to avoid a contract that had become economically disadvantageous to TransCanada even with fuel payments.

REQUESTS FOR RELIEF

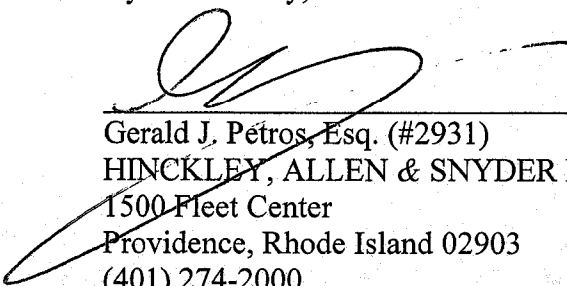
WHEREFORE, Plaintiff The Narragansett Electric Company seeks judgment as follows:

1. Compensatory damages for all damages caused by TransCanada's breach of contract, plus interest and costs;
2. A declaration that TransCanada has breached its obligation of good faith and fair dealing;
3. A declaration, pursuant to R.I. Gen. Laws § 9-30-2, that TransCanada does not have a right to terminate the WSOS Agreement; and
5. Such other relief as the Court deems just and proper under the circumstances.

**PLAINTIFF DEMANDS A TRIAL BY JURY.**

NARRAGANSETT ELECTRIC  
COMPANY

By its Attorney,



\_\_\_\_\_  
Gerald J. Petros, Esq. (#2931)  
HINCKLEY, ALLEN & SNYDER LLP  
1500 Fleet Center  
Providence, Rhode Island 02903  
(401) 274-2000  
(401) 277-9600 (FAX)

DATED: May 26, 2005.





THE NARRAGANSETT ELECTRIC COMPANY  
Standard Offer Rate Adjustment Filing  
Witness: Jeanne A. Lloyd

**DIRECT TESTIMONY**  
**OF**  
**Jeanne A. Lloyd**

THE NARRAGANSETT ELECTRIC COMPANY  
Standard Offer Rate Adjustment Filing  
Witness: Jeanne A. Lloyd

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1   **I. Introduction and Qualifications**

2   Q.   Please state your full name and business address.

3   A.   Jeanne A. Lloyd, 55 Bearfoot Road, Northborough, Massachusetts 01532.

5   Q.   Please state your position.

6   A.   I am a Principal Financial Analyst in the Distribution Regulatory Services Department of  
7       National Grid USA Service Company, Inc. Distribution Regulatory Services provides  
8       rate related support to The Narragansett Electric Company (“Narragansett” or the  
9       “Company”).

11  Q.   Please describe your educational background and training.

12  A.   In 1980, I graduated from Bradley University in Peoria, Illinois with a Bachelor’s Degree  
13       in English. In December 1982, I received a Master of Arts Degree in Economics from  
14       Northern Illinois University in De Kalb, Illinois.

16  Q.   Please describe your professional experience?

17  A.   I was employed by EUA Service Corporation in December 1990 as an Analyst in the  
18       Rate Department. I was promoted to Senior Rate Analyst on January 1, 1993. My  
19       responsibilities included the study, analysis and design of the retail electric service rates,  
20       rate riders and special contracts for the EUA retail companies. I assumed my present  
21       position after the merger of New England Electric System and Eastern Utilities  
22       Associates in April 2000. Prior to my employment at EUA, I was on the staff of the

1 Missouri Public Service Commission in Jefferson City, Missouri in the position of  
2 research economist. My responsibilities included presenting both written and oral  
3 testimony before the Missouri Commission in the areas of cost of service and rate design  
4 for electric and natural gas rate proceedings.

5  
6 Q. Have you previously testified before the Rhode Island Public Utilities Commission  
7 (“Commission”)?

8 A. Yes.

9  
10 **II. Purpose of Testimony**

11 Q. What is the purpose of the Company’s filing and your testimony?

12 A. The purpose of the Company’s filing is to request Commission approval of a September  
13 1, 2005 increase in the Standard Offer Service rate to 8.2¢ per kWh from its current level  
14 of 6.7¢ per kWh to recover an estimated under recovery related to the effect of increased  
15 oil and natural gas prices on the Company’s costs incurred under its wholesale standard  
16 offer contracts. My testimony presents the calculation of the proposed Standard Offer  
17 Service rate of 8.2¢ per kWh.

18  
19 Q. Why is the Company filing for a Standard Offer rate increase at this time?

20 A. In previous orders the Commission has recommended that Narragansett consider filing  
21 for a Standard Offer rate adjustment if the balance in the Standard Offer reconciliation  
22 account exceeds \$16 million, positive or negative. Based on the Company’s estimates of

1 fuel index payments expected to be incurred through December 2005, the Company is  
2 projecting an under collection of Standard Offer costs of approximately \$28.7 million as  
3 of December 31, 2005. This estimated under collection is based on a projection of fuel  
4 index payments that the Company expects to incur through December 2005 under the  
5 Company's Wholesale Standard Offer Service Agreements. In addition, the Company  
6 expects to incur in excess of approximately \$164 million in fuel index payments in 2006.

7 The testimony of Mr. Hager supports these estimates.

8  
9 The Company will continue to monitor the impact of changes in the markets for oil and  
10 natural gas to its projected under recovery balance, as well as the resulting Standard  
11 Offer rate proposal, prior to the implementation of the proposed Standard Offer rate, to  
12 determine whether the Company's proposal should be revised.

13  
14 If the proposed Standard Offer Service rate is approved, the effect on a typical residential  
15 customer using 500 kWh per month will be an increase of \$7.81 per month from \$62.77  
16 to \$70.58, or approximately 12.4%.

17  
18 **III. Standard Offer Service Rate Proposal**

19 **Standard Offer Reconciliation**

20 Q. Please describe the Company's projection of the Standard Offer reconciliation balance  
21 through December 31, 2005 based upon current estimated fuel prices.

22 A. This reconciliation is included as Exhibit JAL-1. The Company has prepared an

1 estimated reconciliation through December 2005, showing key balances during the  
2 period October 2004 through December 2005. Page 1 of Exhibit JAL-1 reflects an  
3 estimated Standard Offer under recovery of approximately \$15.4 million for the period  
4 October 2004 through September 2005. Section 2, page 1 of Exhibit JAL-1 reflects an  
5 estimated December 2005 under recovery balance of approximately \$28.7 million. All  
6 deferral balances are cumulative from the start of the current Standard Offer  
7 reconciliation period, October 2004.

8  
9 Q. What is the balance in the Standard Offer reconciliation as of June 2005?

10 A. Exhibit JAL-1, page 1, Column (h) shows that the balance in the Standard Offer  
11 reconciliation as of June 2005, which reflects actual revenues collected and actual  
12 expenses incurred to date, is an under recovery of approximately \$2.3 million. This  
13 relatively small under recovery indicates that the current Standard Offer rate of 6.7¢ per  
14 kWh, implemented in August 2004, has been adequate to recover Standard Offer  
15 expenses incurred to date.

16  
17 Q. Please describe the Standard Offer reconciliation process in more detail.

18 A. The Company is required to reconcile Standard Offer revenues and expenses in  
19 accordance with the Standard Offer Adjustment Provision, R.I.P.U.C. No. 1153. This  
20 provision requires that, on an annual basis, the Company reconcile its total cost of  
21 purchased power for Standard Offer supply against its total Standard Offer revenue, and  
22 the excess or deficiency be refunded to, or collected from customers through a rate

1 recovery/refund methodology approved by the Commission at the time the Company files  
2 its annual reconciliation. Total revenues are all charges billed to Standard Offer  
3 customers through the Standard Offer rates for the applicable 12-month reconciliation  
4 period. If there is a positive or negative balance in the current Standard Offer  
5 reconciliation outstanding from the prior period, the balance shall be credited against or  
6 added to the new reconciliation amount, as appropriate, in estimating the Standard Offer  
7 balance for the new reconciliation period.

8  
9 Q. How are the Standard Offer revenues calculated?

10 A. The Standard Offer revenues are shown on page 1, Column (b) of Exhibit JAL-1.

11 Revenues for the period October 2004 through June 2005 reflect actual Standard Offer  
12 charges billed to Standard Offer customers. Revenues for the period July 2005 through  
13 December 2005 have been estimated.

14  
15 The estimated revenues are calculated by applying the current retail rate of 6.7¢ per kWh  
16 to the Company's projected Standard Offer kWh deliveries for the period July 2005  
17 through December 2005. The calculation of estimated revenues is shown on page 4 of  
18 Exhibit JAL-1.

19  
20 Q. Please describe the Standard Offer expenses shown in Columns (c) and (d).

21 A. The base Standard Offer expense and fuel index payments shown in Columns (c) and (d)  
22 on page 1 of Exhibit JAL-1 are actual expenses taken from the monthly Standard Offer

1 supplier bills for the period October 2004 through June 2005. For the period July 2005  
2 through December 2005, these expenses have been estimated.

3  
4 The calculation of estimated expenses is shown on page 5 of Exhibit JAL-1. Base  
5 Standard Offer expenses, shown in Column (e) are determined by applying the base  
6 Standard Offer charge in effect in each year to the Company's projected Standard Offer  
7 kWh deliveries. Estimated fuel expenses are calculated by applying the projected  
8 Standard Offer kWh deliveries to the estimated fuel index cost per kWh as shown in  
9 Column (f). The estimated fuel index cost per kWh is developed in Exhibit MJH-4.

10  
11 Q. Please describe the adjustments shown in Column (g) of the Standard Offer  
12 reconciliation.

13 A. The adjustments shown in Column (g) of Page 1 of the reconciliation reflect 1) estimated  
14 NEPOOL Generation Information System ("NE-GIS") expenses of approximately  
15 \$22,000 expected to be incurred through December 2005, 2) congestion costs of  
16 approximately \$689,000 billed to the Company by one of its Standard Offer Service  
17 suppliers and 3) fuel index payments of approximately \$5.7 million made and projected  
18 to be made to one of the Company's Standard Offer suppliers. The congestion costs and  
19 the fuel index payments are being disputed by the Company and are discussed in more  
20 detail in the testimonies of Mr. Gerwatowski and Mr. Hager.

21  
22 Q. Why has the Company included an estimate of the NE-GIS expenses in the Standard



1 Offer reconciliation?

2 A. Pursuant to the Commission's Rules Governing Energy Source Disclosure, effective  
3 April 1, 2005, the Company now provides customers, on a quarterly basis, disclosure  
4 labels which detail information related to the generation source of Standard Offer and  
5 Last Resort Service supplies. Section V.C of the Rules allows for the recovery of all  
6 incremental costs associated with the preparation and distribution of the disclosure labels.  
7 The costs included in the \$22,000 estimate consist of costs, actual to date and estimated  
8 through December 2005, billed to the Company by the New England Independent System  
9 Operator ("ISO-NE") and the cost of printing the quarterly energy source disclosure  
10 labels provided to Standard Offer and Last Resort Service customers.

11  
12 Q. Has the Company prepared an estimate of the Standard Offer reconciliation balance  
13 through December 2006?

14 A. Yes. The projected reconciliation through December 2006 is in Exhibit JAL-2, page 1 of  
15 1. The reconciliation is based on projected revenues, calculated at the current Standard  
16 Offer rate of 6.7¢ per kWh, and projected expenses for the reconciliation period October  
17 2005 through December 2006, and shows an estimated under recovery of approximately  
18 \$153.4 million as of December 31, 2006. Column (g) of this exhibit also reflects an  
19 estimate of the disputed fuel index payments and estimated NE-GIS costs.

20  
21 Current Standard Offer

22 Q. What is the Company's current Standard Offer rate?

1 A. Effective August 1, 2004, the Company implemented its current Standard Offer rate of  
2 6.7¢ per kWh. The Standard Offer rate was increased to its current level of 6.7¢ per  
3 kWh from 5.9¢ per kWh in August 2004 because, at that time, the Company was  
4 projecting an under recovery of its Standard Offer expenses through December 2004.

5  
6 In its annual filing to set rates for January 1, 2005, filed November 15, 2004, the  
7 Company evaluated the current rate based on the most recent fuel price estimates and  
8 proposed to maintain the 6.7¢ per kWh through 2005.

9  
10 Q. How was the current Standard Offer rate derived?

11 A. The current Standard Offer rate is designed to collect the base wholesale Standard Offer  
12 expenses as well as any payments expected to be incurred pursuant to the Fuel Index  
13 Adjustment Provisions contained in some of the Company's Wholesale Standard Offer  
14 Service Agreements. For 2005, the base Standard Offer charge is 5.5¢ per kWh.

15  
16 The Fuel Index Adjustment Provisions were designed to provide additional payments to  
17 Standard Offer suppliers in the event of substantial increases in the market price of No. 6  
18 residual fuel oil (1% sulphur) and/or natural gas. The fuel index adjustment provision is  
19 described more fully in the testimony of Mr. Hager.

20  
21 Calculation of Proposed Standard Offer Rate

22 Q. What is the Company's Standard Offer rate proposal?

1 A. The Company is proposing a Standard Offer rate of 8.2¢ per kWh effective September 1,  
2 2005 and is designed to collect the base Standard Offer charges and the fuel index  
3 payments that the Company expects to incur for the period September 2005 through  
4 August 2006.

5  
6 Q. How is the proposed Standard Offer rate calculated?

7 A. The calculation of the proposed rate is shown in Exhibit JAL-3, page 1 of 1. Column (a)  
8 shows the estimated monthly fuel adjustments for the period September 2005 through  
9 August 2006. The base Standard Offer charge in effect in each month is shown in  
10 Column (b). The sum of the two individual charges is shown in Column (c). Column (d)  
11 is the projected Standard Offer deliveries for each month. Columns (e) and (f) estimate  
12 monthly Standard Offer fuel index payments and Standard Offer base charges,  
13 respectively, by multiplying the appropriate charge by the projected Standard Offer  
14 deliveries. Column (g) is the estimated adjustments to Standard Offer expenses as  
15 shown on Exhibit JAL-1, page 1, column (g). Column (h) sums the fuel index payments,  
16 the base charges and the adjustments resulting in the total expected Standard Offer  
17 expense in each month. The proposed Standard Offer Service rate is calculated by  
18 summing the estimated expense for the twelve months plus the expected under recovery  
19 as of August 31, 2005 and dividing by the estimated Standard Offer kWh deliveries for  
20 the same period resulting in a total Standard Offer rate of 8.2¢ per kWh.

21  
22 Q. Did the Company analyze any other method of estimating fuel index payments other than

1 using the traditional “point-in-time” forecast as the basis for future fuel index payments?

2 A, The Company has compared the current “point-in-time” forecast to the six forecasts used  
3 in the Standard Offer reconciliation reports filed since the beginning of this year as  
4 shown on Exhibit JAL-4, page 1 of 1. The average estimated fuel index adjustment for  
5 the period June 2005 through December 2005 based on the most recent forecast is 2.045¢  
6 per kWh. The same estimate calculated for each of the previous forecasts ranges from  
7 1.475¢ per kWh based on month-end January 2005 prices to 2.244¢ per kWh based on  
8 month-end June 2005 prices. Averaging the monthly adjustments over all six forecasts  
9 results in an average fuel index adjustment value for the period of 1.859¢ per kWh, and  
10 the average of the last three forecasts results in an average fuel index adjustment value  
11 for the period of 2.022¢ per kWh.

12  
13 For the period September 2005 through August 2006 the average estimated fuel index  
14 adjustment based on the current forecast is 2.21¢ per kWh. The same value calculated  
15 for each of the previous forecasts ranges from 1.114¢ per kWh based on month-end  
16 January 2005 prices to 2.662¢ per kWh based on month-end June 2005 prices.

17 Averaging the monthly adjustments over all six forecasts results in an average fuel index  
18 adjustment for the entire period of 1.813¢ per kWh, and the average of the last three  
19 forecasts results in an average fuel index adjustment value for the period of 2.171¢ per  
20 kWh.

21  
22 Although the current forecast results in fuel index values that are somewhat higher than

1 the average, the Company believes that the current forecast is an appropriate basis for  
2 calculating the Standard Offer, given that natural gas and oil prices have risen  
3 dramatically since the beginning of the year.  
4

5 Q. What would the estimated Standard Offer rate for January 1, 2006 need to be if the  
6 proposed Standard Offer rate of 8.2¢ per kWh is not implemented on September 1, 2005?

7 A. Assuming that the current Standard Offer rate remains in place through December 2005,  
8 the estimated Standard Offer rate beginning January 1, 2006 would be 8.7¢ per kWh.  
9 The calculation of this rate is shown on Exhibit JAL-5, page 1 of 1. The rate is  
10 calculated by summing the expected base charges and the expected fuel index payments  
11 for the year, plus the expected under recovery as of December 31, 2005 and dividing by  
12 projected Standard Offer kWh deliveries for 2006.  
13

14 **IV. Revised Standard Offer Tariff**

15 Q. Has the Company prepared a revised Standard Offer tariff reflecting the proposed rate?

16 A. The Company's revised Standard Offer tariff is included in Exhibit JAL-6.  
17

18 **V. Typical Bills**

19 Q. Has the Company provided a typical bill analysis to illustrate the impact of the proposed  
20 rate changes?

21 A. Yes it has. The typical bill analysis for each rate class is in Exhibit JAL-7.  
22

23 Q. What is the impact on a typical residential customer of the Company's proposed rate

1 changes?

2 A. Exhibit JAL-7, page 1, shows that for a 500 kWh residential customer the monthly bill  
3 would increase by \$7.81, from \$62.77 to \$70.58, or 12.4%.

4

5 **VI. Conclusion**

6 Q. Does this conclude your testimony?

7 A. Yes it does.

Exhibits of  
Jeanne A. Lloyd

THE NARRAGANSETT ELECTRIC COMPANY  
Standard Offer Rate Adjustment Filing  
Witness: Jeanne A. Lloyd

## Exhibits

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Exhibit JAL-1	Projected Standard Offer Reconciliation for the period October 2004 through December 2005
Exhibit JAL-2	Projected Standard Offer Reconciliation for the period October 2005 through December 2006
Exhibit JAL-3	Proposed Standard Offer Charge for September 1, 2005
Exhibit JAL-4	Comparison of Current Fuel Forecast to Previous Forecasts
Exhibit JAL-5	Estimated Standard Offer Charge for January 1, 2006
Exhibit JAL-6	Proposed Standard Offer Tariff - Clean and Marked to Show Changes Versions
Exhibit JAL-7	Typical Bill Analysis





THE NARRAGANSETT ELECTRIC COMPANY  
Standard Offer Rate Adjustment Filing  
Witness: Jeanne A. Lloyd

**Exhibit JAL-1**

**Projected Standard Offer Reconciliation  
For the period  
October 2004 through December 2005**

**The Narragansett Electric Company**

## Standard Offer Reconciliation

Actual Balance for the Period October 2004 through June 2005 and Projected Balance through December 2005

**Section 1. Balance @ September 30, 2005**

Month	Over(Under) Beginning Balance (a)	Standard Offer Revenue (b)	Standard Offer Base Expense (c)	Fuel Index Payments (d)	Total Standard Offer Expenses (e)	Monthly Over(Under) (f)	Adjustments (g)	Over(Under) Ending Monthly Balance (h)	Monthly Balance Including Unbilled (i)
(1) Oct-04	(\$376,761)	\$14,128,523	\$26,492,483	\$7,308,707	\$33,801,190	(\$19,672,668)	(\$699,182)	(\$20,748,611)	(\$1,884,236)
(1) Nov-04	(\$20,748,611)	\$34,298,864	\$26,752,338	\$8,305,944	\$35,058,282	(\$759,418)	\$13,501	(\$21,494,528)	\$19,427
(1) Dec-04	(\$21,494,528)	\$39,116,281	\$29,627,256	\$10,089,033	\$39,716,289	(\$600,008)	(\$3,502)	(\$22,098,038)	(\$422,030)
(1) Jan-05	(\$22,098,038)	\$39,410,924	\$33,160,403	\$5,557,938	\$38,718,341	\$692,583	(\$319,578)	(\$21,725,033)	(\$1,101,069)
(1) Feb-05	(\$21,725,033)	\$37,498,116	\$28,633,026	\$5,071,210	\$33,704,236	\$3,793,880	(\$282,636)	(\$18,213,789)	\$2,659,944
(1) Mar-05	(\$18,213,789)	\$37,952,243	\$30,626,125	\$6,015,288	\$36,641,412	\$1,310,830	(\$320,345)	(\$17,223,304)	\$1,636,142
(1) Apr-05	(\$17,223,304)	\$34,289,901	\$26,893,604	\$5,868,843	\$32,762,447	\$1,527,454	(\$317,451)	(\$16,013,300)	\$1,521,902
(1) May-05	(\$16,013,300)	\$31,882,186	\$26,926,841	\$6,413,255	\$33,340,096	(\$1,457,910)	(\$372,113)	(\$17,843,323)	\$1,529,018
(1) Jun-05	(\$17,843,323)	\$35,222,439	\$33,019,216	\$8,152,810	\$41,172,027	(\$5,949,587)	(\$456,890)	(\$24,249,801)	(\$2,259,117)
(2) Jul-05	(\$24,249,801)	\$39,983,062	\$33,078,524	\$8,808,209	\$41,886,733	(\$1,903,671)	(\$496,700)	(\$26,650,173)	(\$3,612,367)
(2) Aug-05	(\$26,650,173)	\$41,886,918	\$34,653,610	\$10,040,357	\$44,693,967	(\$2,807,049)	(\$585,072)	(\$30,042,294)	(\$8,338,467)
(2) Sep-05	(\$30,042,294)	\$39,461,502	\$32,647,031	\$10,454,353	\$43,101,384	(\$3,639,882)	(\$610,091)	(\$34,292,267)	(\$15,062,468)
* (2) Oct-05	(\$34,292,267)	\$19,229,799				\$19,229,799		(\$15,062,468)	
Totals	(\$376,761)	\$444,360,756	\$362,510,457	\$92,085,946	\$454,596,403	(\$10,235,647)	(\$4,450,060)	(\$15,062,468)	
Interest (3)								(\$321,265)	
Ending Balance@ September 30, 2005 with Interest								(\$15,383,733)	

(1) Actual revenues and expenses

(2) Estimated revenues and expenses

(3) Interest expense calculation :  $(-376,761 + -15,062,468)/2 * (4.01\% * 5/12 + 4.27\% * 7/12)$ 

\* For September usage billed in October

**Section 2. Projected Balance @ December 31, 2005**

Month	Over(Under) Beginning Balance (a)	Standard Offer Revenue (b)	Standard Offer Base Expense (c)	Fuel Index Payments (d)	Total Standard Offer Expenses (e)	Monthly Over(Under) (f)	Adjustments (g)	Over(Under) Ending Monthly Balance (h)	Monthly Balance Including Unbilled (i)
(2) Oct-05	(\$15,383,733)	\$15,733,472	\$28,925,583	\$9,951,486	\$38,877,069	(\$23,143,598)	(\$584,297)	(\$39,111,627)	(\$19,241,178)
(2) Nov-05	(\$39,111,627)	\$36,128,089	\$29,889,254	\$10,762,935	\$40,652,189	(\$4,524,100)	(\$630,906)	(\$44,266,633)	(\$22,943,569)
(2) Dec-05	(\$44,266,633)	\$38,769,206	\$32,074,285	\$12,475,583	\$44,549,869	(\$5,780,662)	(\$709,666)	(\$50,756,962)	(\$28,459,502)
* (2) Jan-06	(\$50,756,962)	\$22,297,460				\$22,297,460		(\$28,459,502)	
Totals	(\$15,383,733)	\$112,928,228	\$90,889,122	\$33,190,005	\$124,079,127	(\$11,150,899)	(\$1,924,869)	(\$28,459,502)	
Interest (3)								(\$234,013)	
Ending Balance@ December 31, 2005 with Interest								(\$28,693,515)	

\* For December usage billed in January

(2) Estimated revenues and expenses

(3) Interest expense calculation :  $(-15,383,733 + -28,459,502)/2 * (4.27\% * 3/12)$ Column Notes:

Column (a) Column (h) from previous row; beginning balance from Exhibit JAL-7, RIPUC Docket No. 3648.

Column (b) from Pages 2 and 4

Column (c) from Page 5

Column (d) from Page 5

Column (e) Column (c) + Column (d)

Column (f) Column (b) - Column (e)

Column (g) Includes actual and estimated protest payments made to one of the Company's suppliers, estimated NE\_GIS expenses and USGEN congestion costs

Column (h) Column (a) + Column (f) + Column (g)

Column (i) Column (h) + 55% of next month's Column (b)

The Narragansett Electric Company  
Summary of Standard Offer Revenue

	<u>Actual</u>		
	<u>Gross Revenue</u>	<u>HVM Discount</u>	<u>Net Revenue</u>
	(a)	(b)	(c)
Oct-04	\$36,559,139	(\$40,929)	\$36,518,210
Nov-04	\$34,337,895	(\$39,031)	\$34,298,864
Dec-04	\$39,157,317	(\$41,036)	\$39,116,281
Jan-05	\$39,466,169	(\$55,245)	\$39,410,924
Feb-05	\$37,540,822	(\$42,706)	\$37,498,116
Mar-05	\$37,995,866	(\$43,623)	\$37,952,243
Apr-05	\$34,330,183	(\$40,282)	\$34,289,901
May-05	\$31,921,879	(\$39,693)	\$31,882,186
Jun-05	\$35,266,934	(\$44,494)	\$35,222,439
Jul-05		\$0	\$0
Aug-05		\$0	\$0
Sep-05		\$0	\$0
Oct-05		\$0	\$0

## Notes:

- (a) from Company SMB702 monthly revenue reports
- (b) Page 3
- (c) Column (a) + Column (b)

The Narragansett Electric Company  
Standard Offer Revenue - HVM Discount

	Standard Offer Revenues - Primary Metered <u>Customers</u> (a)	HVM <u>Discount</u> (b)
Oct-04	\$4,092,935	\$40,929
Nov-04	\$3,903,105	\$39,031
Dec-04	\$4,103,623	\$41,036
Jan-05	\$5,524,518	\$55,245
Feb-05	\$4,270,630	\$42,706
Mar-05	\$4,362,330	\$43,623
Apr-05	\$4,028,222	\$40,282
May-05	\$3,969,333	\$39,693
Jun-05	\$4,449,445	\$44,494
Jul-05		\$0
Aug-05		\$0
Sep-05		\$0
Oct-05		\$0

## Notes:

- (a) CIS System Data  
(b) Column (a) x 1%

The Narragansett Electric Company  
Standard Offer Reconciliation  
Estimated Revenue through December 2006

(1) Estimated Standard Offer kWh Deliveries 85.6%

<u>Month</u>	<u>Estimated Total Company kWh Deliveries</u> (a)	<u>Estimated Standard Offer Deliveries</u> (b)	<u>Standard Offer Rate</u> (c)	<u>Total Estimated Revenues</u> (d)
			\$0.06700	
Jul-05	697,152,000	596,762,112	\$0.06700	\$39,983,062
Aug-05	730,348,000	625,177,888	\$0.06700	\$41,886,918
Sep-05	688,058,000	588,977,648	\$0.06700	\$39,461,502
Oct-05	609,626,000	521,839,856	\$0.06700	\$34,963,270
Nov-05	629,936,000	539,225,216	\$0.06700	\$36,128,089
Dec-05	675,987,000	578,644,872	\$0.06700	\$38,769,206
Jan-06	706,877,465	605,087,110	\$0.06700	\$40,540,836
Feb-06	669,907,105	573,440,482	\$0.06700	\$38,420,512
Mar-06	647,474,590	554,238,249	\$0.06700	\$37,133,963
Apr-06	616,394,275	527,633,499	\$0.06700	\$35,351,444
May-06	594,635,720	509,008,176	\$0.06700	\$34,103,548
Jun-06	630,246,995	539,491,428	\$0.06700	\$36,145,926
Jul-06	707,609,280	605,713,544	\$0.06700	\$40,582,807
Aug-06	741,303,220	634,555,556	\$0.06700	\$42,515,222
Sep-06	698,378,870	597,812,313	\$0.06700	\$40,053,425
Oct-06	618,770,390	529,667,454	\$0.06700	\$35,487,719
Nov-06	639,385,040	547,313,594	\$0.06700	\$36,670,011
Dec-06	686,126,805	587,324,545	\$0.06700	\$39,350,745
Jan-07	717,480,627	614,163,417	\$0.06700	\$41,148,949

Column Notes:

- (a) Per Company forecast  
 (b) Column (a) x Line (1)  
 (c) Per currently effective tariff  
 (d) Column (b) x Column (c)

(1) From Page 5, Line (3)

The Narragansett Electric Company  
Standard Offer Reconciliation  
Estimated Standard Offer Expenses through December 2006

**Section 1. Estimation of Standard Offer kWh Deliveries**

	<u>Jun-05</u>
(1) Standard Offer kWhs	525,213,042
(2) Total kWh Deliveries	613,326,982
(3) Percentage of Standard Offer kWhs to Total kWhs	85.6%

**Notes:**

- (1) Company revenue reports  
(2) Company revenue reports  
(3) Line (1) ÷ Line (2)

**Section 2. Calculation of Estimated Expenses**

	Estimated Total Company kWh Deliveries (a)	% of Standard Offer kWhs to Total kWhs (b)	Estimated Standard Offer kWh Deliveries (c)	Estimated Base Standard Offer Charge (d)	Estimated Base Standard Offer Expenses (e)	Estimated Fuel Index Value per kWh (f)	Estimated Fuel Index Payments (g)	Total Estimated Standard Offer Expenses (h)
Jul-05	697,152,000	85.6%	596,762,112	\$0.05543	\$33,078,524	\$0.01476	\$8,808,209	\$41,886,733
Aug-05	730,348,000	85.6%	625,177,888	\$0.05543	\$34,653,610	\$0.01606	\$10,040,357	\$44,693,967
Sep-05	688,058,000	85.6%	588,977,648	\$0.05543	\$32,647,031	\$0.01775	\$10,454,353	\$43,101,384
Oct-05	609,626,000	85.6%	521,839,856	\$0.05543	\$28,925,583	\$0.01907	\$9,951,486	\$38,877,069
Nov-05	629,936,000	85.6%	539,225,216	\$0.05543	\$29,889,254	\$0.01996	\$10,762,935	\$40,652,189
Dec-05	675,987,000	85.6%	578,644,872	\$0.05543	\$32,074,285	\$0.02156	\$12,475,583	\$44,549,869
Total Expected Payments through December 2005 .....							\$62,492,924	\$253,761,211
<b>2006:</b>								
Jan-06	706,877,465	85.6%	605,087,110	\$0.05943	\$35,960,327	\$0.01989	\$12,035,183	\$47,995,510
Feb-06	669,907,105	85.6%	573,440,482	\$0.05943	\$34,079,568	\$0.02161	\$12,392,049	\$46,471,617
Mar-06	647,474,590	85.6%	554,238,249	\$0.05943	\$32,938,379	\$0.02303	\$12,764,107	\$45,702,486
Apr-06	616,394,275	85.6%	527,633,499	\$0.05943	\$31,357,259	\$0.02354	\$12,420,493	\$43,777,751
May-06	594,635,720	85.6%	509,008,176	\$0.05943	\$30,250,356	\$0.02407	\$12,251,827	\$42,502,183
Jun-06	630,246,995	85.6%	539,491,428	\$0.05943	\$32,061,976	\$0.02471	\$13,330,833	\$45,392,809
Jul-06	707,609,280	85.6%	605,713,544	\$0.05943	\$35,997,556	\$0.02497	\$15,124,667	\$51,122,223
Aug-06	741,303,220	85.6%	634,555,556	\$0.05943	\$37,711,637	\$0.02522	\$16,003,491	\$53,715,128
Sep-06	698,378,870	85.6%	597,812,313	\$0.05943	\$35,527,986	\$0.02539	\$15,178,455	\$50,706,440
Oct-06	618,770,390	85.6%	529,667,454	\$0.05943	\$31,478,137	\$0.02550	\$13,506,520	\$44,984,657
Nov-06	639,385,040	85.6%	547,313,594	\$0.05943	\$32,526,847	\$0.02551	\$13,961,970	\$46,488,817
Dec-06	686,126,805	85.6%	587,324,545	\$0.05943	\$34,904,698	\$0.02543	\$14,935,663	\$49,840,361
Total Expected Payments through December 2006 .....							\$163,905,257	\$568,699,981

**Column Notes:**

- (a) Per Company forecast  
(b) Section 1, Line (3)  
(c) Column (a) x Column (b)  
(d) Per standard offer contract (includes estimate for base SO adjustment for contract amendment as approved in RIPUC Docket No. 3496)  
(e) Column (c) x Column (d)  
(f) Company estimate based on fuel futures prices as reported on 07/25/05, 07/26/05 & 07/27/05  
(g) Column (c) x Column (f)  
(h) Column (e) + Column (g)





THE NARRAGANSETT ELECTRIC COMPANY  
Standard Offer Rate Adjustment Filing  
Witness: Jeanne A. Lloyd

**Exhibit JAL-2**

**Projected Standard Offer Reconciliation  
For the period  
October 2005 through December 2006**

**The Narragansett Electric Company**  
Standard Offer Reconciliation  
Projected Balance at Year Ending December 31, 2006

**Section 1. Projected Balance @ September 30, 2006**

Month	Over(Under) Beginning Balance (a)	Standard Offer Revenue (b)	Standard Offer Base Expense (c)	Fuel Index Payments (d)	Total Standard Offer Expenses (e)	Monthly Over(Under) (f)	Adjustments (g)	Over(Under) Ending Monthly Balance (h)	Monthly Balance Including Unbilled (i)
(2) Oct-05	(\$15,383,733)	\$15,733,472	\$28,925,583	\$9,951,486	\$38,877,069	(\$23,143,598)	(\$584,297)	(\$39,111,627)	(\$19,241,178)
(2) Nov-05	(\$39,111,627)	\$36,128,089	\$29,889,254	\$10,762,935	\$40,652,189	(\$4,524,100)	(\$630,906)	(\$44,266,633)	(\$22,943,569)
(2) Dec-05	(\$44,266,633)	\$38,769,206	\$32,074,285	\$12,475,583	\$44,549,869	(\$5,780,662)	(\$709,666)	(\$50,756,962)	(\$28,459,502)
(2) Jan-06	(\$50,756,962)	\$40,540,836	\$35,960,327	\$12,035,183	\$47,995,510	(\$7,454,673)	(\$697,722)	(\$58,909,356)	(\$37,778,075)
(2) Feb-06	(\$58,909,356)	\$38,420,512	\$34,079,568	\$12,392,049	\$46,471,617	(\$8,051,104)	(\$711,366)	(\$67,671,827)	(\$47,248,147)
(2) Mar-06	(\$67,671,827)	\$37,133,963	\$32,938,379	\$12,764,107	\$45,702,486	(\$8,568,523)	(\$720,584)	(\$76,960,934)	(\$57,517,640)
(2) Apr-06	(\$76,960,934)	\$35,351,444	\$31,357,259	\$12,420,493	\$43,777,751	(\$8,426,307)	(\$717,474)	(\$86,104,715)	(\$67,347,764)
(2) May-06	(\$86,104,715)	\$34,103,548	\$30,250,356	\$12,251,827	\$42,502,183	(\$8,398,635)	(\$699,151)	(\$95,202,500)	(\$75,322,241)
(2) Jun-06	(\$95,202,500)	\$36,145,926	\$32,061,976	\$13,330,833	\$45,392,809	(\$9,246,883)	(\$739,403)	(\$105,188,787)	(\$82,868,242)
(2) Jul-06	(\$105,188,787)	\$40,582,807	\$35,997,556	\$15,124,667	\$51,122,223	(\$10,539,416)	(\$800,415)	(\$116,528,617)	(\$93,145,245)
(2) Aug-06	(\$116,528,617)	\$42,515,222	\$37,711,637	\$16,003,491	\$53,715,128	(\$11,199,906)	(\$807,723)	(\$128,536,246)	(\$106,506,862)
(2) Sep-06	(\$128,536,246)	\$40,053,425	\$35,527,986	\$15,178,455	\$50,706,440	(\$10,653,015)	(\$732,698)	(\$139,921,959)	(\$120,403,714)
* (2) Oct-06	(\$139,921,959)	\$19,518,246				\$19,518,246		(\$120,403,714)	
Totals	(\$15,383,733)	\$454,996,697	\$396,774,165	\$154,691,109	\$551,465,273	(\$96,468,576)	(\$8,551,405)	(\$120,403,714)	
Interest (3)								(\$2,899,062)	
Ending Balance@ September 30, 2006 with Interest								(\$123,302,776)	

(1) Actual revenues and expenses

(2) Estimated revenues and expenses

(3) Interest expense calculation :  $(-15,383,733 + -120,403,714)/2 * (4.01\%)$ 

\* For September usage billed in October

**Section 2. Projected Balance @ December 31, 2006**

Month	Over(Under) Beginning Balance (a)	Standard Offer Revenue (b)	Standard Offer Base Expense (c)	Fuel Index Payments (d)	Total Standard Offer Expenses (e)	Monthly Over(Under) (f)	Adjustments (g)	Over(Under) Ending Monthly Balance (h)	Monthly Balance Including Unbilled (i)
(2) Oct-06	(\$123,302,776)	\$15,969,474	\$31,478,137	\$13,506,520	\$44,984,657	(\$29,015,183)	(\$633,783)	(\$152,951,742)	(\$132,783,236)
(2) Nov-06	(\$152,951,742)	\$36,670,011	\$32,526,847	\$13,961,970	\$46,488,817	(\$9,818,806)	(\$646,184)	(\$163,416,732)	(\$141,773,823)
(2) Dec-06	(\$163,416,732)	\$39,350,745	\$34,904,698	\$14,935,663	\$49,840,361	(\$10,489,616)	(\$703,129)	(\$174,609,478)	(\$151,977,556)
* (2) Jan-07	(\$174,609,478)	\$22,631,922				\$22,631,922		(\$151,977,556)	
Totals	(\$123,302,776)	\$114,622,151	\$98,909,681	\$42,404,153	\$141,313,834	(\$26,691,683)	(\$1,983,097)	(\$151,977,556)	
Interest (3)								(\$1,469,309)	
Ending Balance@ December 31, 2006 with Interest								(\$153,446,865)	

\* For December usage billed in January

(2) Estimated revenues and expenses

(3) Interest expense calculation :  $(-123,302,776 + 151,977,556)/2 * (4.01\% * 3/12)$ Column Notes:

Column (a) Column (g) from previous row; beginning balance from Page 1.

Column (b) from Exhibit JAL-1, Page 4

Column (c) from Exhibit JAL-1, Page 5

Column (d) from Exhibit JAL-1, Page 5

Column (e) Column (c) + Column (d)

Column (f) Column (b) - Column (e)

Column (g) Includes actual and estimated protest payments made to one of the Company's suppliers, estimated NE\_GIS expenses and USGEN congestion costs

Column (h) Column (a) + Column (f) + Column (g)

Column (i) Column (g) + 55% of next month's Column (b)



THE NARRAGANSETT ELECTRIC COMPANY  
Standard Offer Rate Adjustment Filing  
Witness: Jeanne A. Lloyd

**Exhibit JAL-3**

**Proposed Standard Offer Charge for September 1, 2005**

**The Narragansett Electric Company**  
**Calculation of Proposed Standard Offer Charge**  
**Based on Most Recent Fuel Price Estimates**

**Calculation of Twelve-month Average Standard Offer Rate for the period September 2005 through August 2006**

	Estimated Monthly Fuel Adjustment	Current Base Standard Offer Charge	Total Standard Offer Charge	Projected Monthly kWhs	Estimated Fuel Index Payments	Estimated Base Standard Offer Expense	Estimated Adjustments	Estimated Total Standard Offer Expense
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
Sep-2005	\$0.01775	0.05543	\$0.07318	588,977,648	\$10,454,353	\$32,647,031	\$610,091	\$43,711,476
Oct-2005	\$0.01907	0.05543	\$0.07450	521,839,856	\$9,951,486	\$28,925,583	\$584,297	\$39,461,366
Nov-2005	\$0.01996	0.05543	\$0.07539	539,225,216	\$10,762,935	\$29,889,254	\$630,906	\$41,283,095
Dec-2005	\$0.02156	0.05543	\$0.07699	578,644,872	\$12,475,583	\$32,074,285	\$709,666	\$45,259,535
Jan-2006	\$0.01989	0.05943	\$0.07932	605,087,110	\$12,035,183	\$35,960,327	\$697,722	\$48,693,231
Feb-2006	\$0.02161	0.05943	\$0.08104	573,440,482	\$12,392,049	\$34,079,568	\$711,366	\$47,182,983
Mar-2006	\$0.02303	0.05943	\$0.08246	554,238,249	\$12,764,107	\$32,938,379	\$720,584	\$46,423,070
Apr-2006	\$0.02354	0.05943	\$0.08297	527,633,499	\$12,420,493	\$31,357,259	\$717,474	\$44,495,225
May-2006	\$0.02407	0.05943	\$0.08350	509,008,176	\$12,251,827	\$30,250,356	\$699,151	\$43,201,333
Jun-2006	\$0.02471	0.05943	\$0.08414	539,491,428	\$13,330,833	\$32,061,976	\$739,403	\$46,132,212
Jul-2006	\$0.02497	0.05943	\$0.08440	605,713,544	\$15,124,667	\$35,997,556	\$800,415	\$51,922,638
Aug-2006	\$0.02522	0.05943	\$0.08465	634,555,556	\$16,003,491	\$37,711,637	\$807,723	\$54,522,851
				6,777,855,636	\$149,967,007	\$393,893,210	\$8,428,798	\$552,289,015
				Estimated Under-Recovery through August 2005				<u>\$8,338,467</u>
				Total Expenses to be Recovered				\$560,627,482
				Project kWh Deliveries through August 2006				6,777,855,636
				Average Standard Offer through August 2006				\$0.0820

- (a) from Exhibit MJH-4, Page 3 for the period September 2005 through August 2006  
(b) per wholesale contract  
(c) Column (a) + Column (b)  
(d) Company projection  
(e) Column (a) \* Column (d)  
(f) Column (b) \* Column (d)  
(g) from Exhibit JAL-1, page 1, column (g) and Exhibit JAL-2, page 1, column (g)  
(h) Column (e) + Column (f) + Column (g)\_



THE NARRAGANSETT ELECTRIC COMPANY  
Standard Offer Rate Adjustment Filing  
Witness: Jeanne A. Lloyd

**Exhibit JAL-4**

**Comparison of Current Fuel Forecast to Previous Forecasts**

The Narragansett Electric Company  
Fuel Index Adjustments  
Comparison of Individual Fuel Forecasts for 2005

	Estimated Fuel Index Value per kWh as Reported in the WSJ on 1/25/05, 1/26/05, 1/27/05 (a)	Estimated Fuel Index Value per kWh as Reported in the WSJ on 2/22/05, 2/23/05, 2/24/05 (b)	Estimated Fuel Index Value per kWh as Reported in the WSJ on 3/24/05, 3/28/05, 3/29/05 (c)	Estimated Fuel Index Value per kWh as Reported in the WSJ on 5/24/05, 5/25/05, 5/26/05 (d)	Estimated Fuel Index Value per kWh as Reported in the WSJ on 6/24/05, 6/27/05, 6/28/05 (e)	Estimated Fuel Index Value per kWh as Reported in the WSJ on 7/25/05, 7/26/05, 7/27/05 (f)	Average All Forecasts (g)	Average Three Most Recent Forecasts (h)
<b>2005:</b>								
Jun-05	\$0.01169	\$0.01216	\$0.01395	\$0.01318	\$0.01360	\$0.01360	\$0.01303	\$0.01346
Jul-05	\$0.01197	\$0.01260	\$0.01499	\$0.01370	\$0.01533	\$0.01476	\$0.01389	\$0.01460
Aug-05	\$0.01235	\$0.01317	\$0.01618	\$0.01440	\$0.01722	\$0.01606	\$0.01490	\$0.01589
Sep-05	\$0.01303	\$0.01402	\$0.01768	\$0.01543	\$0.01947	\$0.01774	\$0.01623	\$0.01755
Oct-05	\$0.01328	\$0.01446	\$0.01877	\$0.01609	\$0.02135	\$0.01907	\$0.01717	\$0.01884
Nov-05	\$0.01296	\$0.01434	\$0.01931	\$0.01644	\$0.02278	\$0.01996	\$0.01763	\$0.01973
Dec-05	\$0.01325	\$0.01484	\$0.02046	\$0.01735	\$0.02492	\$0.02155	\$0.01873	\$0.02127
Average Monthly Fuel Index	\$0.01475	\$0.01593	\$0.02022	\$0.01776	\$0.02244	\$0.02045	\$0.01859	\$0.02022
Base Wholesale Standard Offer	\$0.05543	\$0.05543	\$0.05543	\$0.05543	\$0.05543	\$0.05543	\$0.05543	\$0.05543
Total Standard Offer	\$0.07018	\$0.07136	\$0.07565	\$0.07319	\$0.07787	\$0.07588	\$0.07402	\$0.07565
<b>2006:</b>								
Jan-06	\$0.01026	\$0.01205	\$0.01828	\$0.01501	\$0.02374	\$0.01988	\$0.01654	\$0.01954
Feb-06	\$0.01058	\$0.01256	\$0.01945	\$0.01598	\$0.02596	\$0.02159	\$0.01769	\$0.02118
Mar-06	\$0.01072	\$0.01287	\$0.02032	\$0.01669	\$0.02790	\$0.02302	\$0.01859	\$0.02254
Apr-06	\$0.01051	\$0.01276	\$0.02020	\$0.01652	\$0.02896	\$0.02352	\$0.01875	\$0.02300
May-06	\$0.01024	\$0.01255	\$0.02007	\$0.01643	\$0.03004	\$0.02405	\$0.01890	\$0.02351
Jun-06	\$0.00994	\$0.01229	\$0.01985	\$0.01683	\$0.03123	\$0.02470	\$0.01914	\$0.02425
Jul-06	\$0.00965	\$0.01203	\$0.01960	\$0.01705	\$0.03146	\$0.02496	\$0.01913	\$0.02449
Aug-06	\$0.00937	\$0.01177	\$0.01934	\$0.01727	\$0.03165	\$0.02521	\$0.01910	\$0.02471
Sep-06	\$0.00912	\$0.01152	\$0.01905	\$0.01745	\$0.03178	\$0.02537	\$0.01905	\$0.02487
Oct-06	\$0.00888	\$0.01125	\$0.01876	\$0.01758	\$0.03188	\$0.02548	\$0.01897	\$0.02498
Nov-06	\$0.00852	\$0.01097	\$0.01840	\$0.01745	\$0.03188	\$0.02549	\$0.01879	\$0.02494
Dec-06	\$0.00824	\$0.01065	\$0.01807	\$0.01740	\$0.03177	\$0.02541	\$0.01859	\$0.02486
12-month average (Jan-06 - Dec-06)	\$0.00966	\$0.01193	\$0.01928	\$0.01680	\$0.02985	\$0.02405	\$0.01860	\$0.02357
Base Wholesale Standard Offer - 2006	\$0.05943	\$0.05943	\$0.05943	\$0.05943	\$0.05943	\$0.05943	\$0.05943	\$0.05943
Avg Standard Offer (Jan-06 - Dec-06)	\$0.06909	\$0.07136	\$0.07871	\$0.07623	\$0.08928	\$0.08348	\$0.07803	\$0.08300
12-month average (Sep-05 - Aug-06)	0.01114	0.01304	0.01944	0.01642	0.02662	0.0221	0.01813	0.02171
Avg Base Charge (Sep-05 - Aug-06)	0.05809	0.05809	0.05809	0.05809	0.05809	0.05809	0.05809	0.05809
Avg Standard Offer (Sep-05 - Aug-06)	0.06923	0.07113	0.07753	0.07451	0.08471	0.08019	0.07622	0.0798

(a) Fuel forecast from the Company's monthly Standard Offer reconciliation report filed on March 1, 2005  
(b) Fuel forecast from the Company's monthly Standard Offer reconciliation report filed on March 30, 2005  
(c) Fuel forecast from the Company's monthly Standard Offer reconciliation report filed on May 2, 2005  
(d) Fuel forecast from the Company's monthly Standard Offer reconciliation report filed on June 2, 2005  
(e) Fuel forecast from the Company's monthly Standard Offer reconciliation report filed on July 5, 2005  
(f) Current forecast  
(g) (Sum of columns (a) through (e)) ÷ 6





THE NARRAGANSETT ELECTRIC COMPANY  
Standard Offer Rate Adjustment Filing  
Witness: Jeanne A. Lloyd

**Exhibit JAL-5**

**Estimated Standard Offer Charge for January 1, 2006**

**The Narragansett Electric Company**  
**Calculation of Estimated Standard Offer Charge for January 1, 2006**

**Estimated Standard Offer Charge for January 1, 2006 Assuming No Change in Standard Offer Rate in September 2005**

Designed to Collect Under Recovery through December 2006

	Effective <u>01-Jan-2006</u>
1. Estimated Under/(Over) Recovery @ December 2005	\$28,693,515
2. Estimated Fuel Index Payments for the period January 2006 through December 2006	<u>\$163,905,257</u>
3. Total 2006 Fuel Index Payments plus 2005 Under Recovery	\$192,598,772
4. Estimated Standard Offer kWhs for the period	<u>6,811,285,950</u>
5. Estimated Fuel Adjustment for the period	\$0.02800
6. Base Standard Offer Charge for 2006	<u>\$0.05900</u>
<b>7. Standard Offer Charge</b>	<b>\$0.08700</b>
1. from Exhibit JAL-1, Page 1, Section 2.	
2. from Exhibit JAL-1, Page 5, Column (g), total for the period January 2006 through December 2006	
3. Line 1 + Line 2	
4. from Exhibit JAL-1, Page 4, Column (c), kWh deliveries on and after the effective date	
5. Line 3 ÷ Line 4, truncated to three places	
6. per tariff	
7. Line 6 + Line 7	



THE NARRAGANSETT ELECTRIC COMPANY  
Standard Offer Rate Adjustment Filing  
Witness: Jeanne A. Lloyd

**Exhibit JAL-6**

**Proposed Standard Offer Tariff**

**Clean and Marked to Show Changes**

**THE NARRAGANSETT ELECTRIC COMPANY  
STANDARD OFFER SERVICE**

**AVAILABILITY**

All Customers (including new Customers) who have not elected to take their electric supply from a non-regulated power producer will receive their power supply under this Standard Offer Rate until the Customer either: (1) takes its electric supply from a non-regulated power producer; or (2) takes Last Resort Service.

Customers who leave Standard Offer Service may not return to Standard Offer Service.

Standard Offer Service may be terminated by a Customer upon the next scheduled meter read provided that notice of the change of supplier was received in accordance with the Company's Terms and Conditions for Nonregulated Power Producers.

**MONTHLY CHARGE**

The Monthly Charge for Service under this tariff will be the sum of the applicable Standard Offer Service charges in addition to all appropriate Retail Delivery charges as stated in the applicable tariff.

**RATE FOR ALL CLASSES**

Standard Offer per kWh	8.20¢
------------------------	-------

**RATE CHANGES**

The rates set forth in this tariff are effective for usage on and after September 1, 2005 until changes. Any changes will be filed with the Commission and are subject to Commission review and approval.

Effective: September 1, 2005

THE NARRAGANSETT ELECTRIC COMPANY  
STANDARD OFFER SERVICE

**AVAILABILITY**

All Customers (including new Customers) who have not elected to take their electric supply from a non-regulated power producer will receive their power supply under this Standard Offer Rate until the Customer either: (1) takes its electric supply from a non-regulated power producer; or (2) takes Last Resort Service.

Customers who leave Standard Offer Service may not return to Standard Offer Service.

Standard Offer Service may be terminated by a Customer upon the next scheduled meter read provided that notice of the change of supplier was received in accordance with the Company's Terms and Conditions for Nonregulated Power Producers.

**MONTHLY CHARGE**

The Monthly Charge for Service under this tariff will be the sum of the applicable Standard Offer Service charges in addition to all appropriate Retail Delivery charges a stated in the applicable tariff.

**RATE FOR ALL CLASSES**

Standard Offer per kWh ~~8.20~~¢ Deleted: 6.7

**RATE CHANGES**

The rates set forth in this tariff are effective for usage on and after ~~September 1, 2005~~ Deleted: August  
until changes. Any changes will be filed with the Commission and are subject to Commission Deleted: 4  
review and approval.

Effective: ~~September 1, 2005~~ Deleted: August  
Deleted: 4





THE NARRAGANSETT ELECTRIC COMPANY  
Standard Offer Rate Adjustment Filing  
Witness: Jeanne A. Lloyd

**Exhibit JAL-7**

**Typical Bill Analysis**

File: S:\RADATA1\2005 neco\Standard Offer\Mid-year filing\TYPBILLS.XLS\Input Section

Date: 29-Jul-05

Time: 07:48 AM

The Narragansett Electric Company  
Calculation of Monthly Typical Bill  
Comparison of Present and Proposed Rates  
Impact on A-16 Rate Customers

Monthly kWh	Present Rates			Proposed Rates			Increase/(Decrease)		Number of Custs
	Total	Standard Offer	"Wires"	Total	Standard Offer	"Wires"	Amount	% of Total	
120	\$17.25	\$8.38	\$8.87	\$19.12	\$10.25	\$8.87	\$1.87	10.8%	29,288
240	\$31.62	\$16.75	\$14.87	\$35.37	\$20.50	\$14.87	\$3.75	11.9%	51,254
500	\$62.77	\$34.90	\$27.87	\$70.58	\$42.71	\$27.87	\$7.81	12.4%	124,474
700	\$86.72	\$48.85	\$37.87	\$97.66	\$59.79	\$37.87	\$10.94	12.6%	65,898
950	\$116.67	\$66.30	\$50.37	\$131.52	\$81.15	\$50.37	\$14.85	12.7%	47,593
1,000	\$122.67	\$69.79	\$52.88	\$138.30	\$85.42	\$52.88	\$15.63	12.7%	7,322

Present Rates: A-16

Customer Charge		\$2.75
Transmission Energy Charge (1)	kWh x	\$0.00675
Distribution Energy Charge	kWh x	\$0.03380
Transition Energy Charge	kWh x	\$0.00845
C&LM Adjustment	kWh x	\$0.00230
S.O. Adj.	kWh x	\$0.00000
Customer Credit	kWh x	-\$0.00329
Gross Earnings Tax		4.00%
Standard Offer Charge	kWh x	\$0.06700

Proposed Rates: A-16

Customer Charge		\$2.75
Transmission Energy Charge (2)	kWh x	\$0.00675
Distribution Energy Charge	kWh x	\$0.03380
Transition Energy Charge	kWh x	\$0.00845
C&LM Adjustment	kWh x	\$0.00230
S.O. Adj.	kWh x	\$0.00000
Customer Credit	kWh x	-\$0.00329
Gross Earnings Tax		4.00%
Standard Offer Charge	kWh x	\$0.08200

Note (1): Includes Transmission Adjustment Factor of \$.00239/kWh.

Note (2): Includes Transmission Adjustment Factor of \$.00239/kWh.

File: S:\RADATA1\2005 neco\Standard Offer\Mid-year filing\TYPBILLS.XLS\Input Section

Date: 29-Jul-05

Time: 07:48 AM

The Narragansett Electric Company  
Calculation of Monthly Typical Bill  
Comparison of Present and Proposed Rates  
Impact on A-16 (former A-32) Rate Customers

Monthly kWh	Present Rates			Proposed Rates			Increase/(Decrease)		Number of Custs
	Total	Standard Offer	"Wires"	Total	Standard Offer	"Wires"	Amount	% of Total	
500	\$60.21	\$34.90	\$25.31	\$68.02	\$42.71	\$25.31	\$7.81	13.0%	139
1,000	\$117.55	\$69.79	\$47.76	\$133.18	\$85.42	\$47.76	\$15.63	13.3%	334
2,500	\$289.58	\$174.48	\$115.10	\$328.64	\$213.54	\$115.10	\$39.06	13.5%	1,033
5,000	\$576.30	\$348.96	\$227.34	\$654.42	\$427.08	\$227.34	\$78.12	13.6%	927
7,500	\$863.02	\$523.44	\$339.58	\$980.21	\$640.63	\$339.58	\$117.19	13.6%	206

Present Rates:

A-16 (former A-32)

Customer Charge		\$2.75
Transmission Energy Charge (1)	kWh x	\$0.00675
Distribution Energy Charge	kWh x	\$0.03380
Transition Energy Charge	kWh x	\$0.00845
C&LM Adjustment	kWh x	\$0.00230
S.O. Adj.	kWh x	\$0.00000
Customer Credit	kWh x	-\$0.00820
Gross Earnings Tax		4.00%
Standard Offer Charge		\$0.06700

Proposed Rates:

A-16 (former A-32)

Customer Charge		\$2.75
Transmission Energy Charge (2)	kWh x	\$0.00675
Distribution Energy Charge	kWh x	\$0.03380
Transition Energy Charge	kWh x	\$0.00845
C&LM Adjustment	kWh x	\$0.00230
S.O. Adj.	kWh x	\$0.00000
Customer Credit	kWh x	-\$0.00820
Gross Earnings Tax		4.00%
Standard Offer Charge	kWh x	\$0.08200

Note (1): Includes Transmission Adjustment Factor of \$.00239/kWh.

Note (2): Includes Transmission Adjustment Factor of \$.00239/kWh.

File: S:\RADATA1\2005 neco\Standard Offer\Mid-year filing\TYPBILLS.XLS\Input Section

Date: 29-Jul-05

Time: 07:48 AM

The Narragansett Electric Company  
Calculation of Monthly Typical Bill  
Comparison of Present and Proposed Rates  
Impact on A-60 Rate Customers - Winter (December through March)  
Without Control Credit for Water Heater

Monthly kWh	Present Rates Standard Offer			Proposed Rates Standard Offer			Increase/(Decrease)		
	Total	"Wires"		Total	"Wires"		Amount	% of Total	
100	\$10.12	\$6.98	\$3.14	\$11.68	\$8.54	\$3.14	\$1.56	15.4%	
200	\$20.23	\$13.96	\$6.27	\$23.35	\$17.08	\$6.27	\$3.12	15.4%	
300	\$30.35	\$20.94	\$9.41	\$35.04	\$25.63	\$9.41	\$4.69	15.5%	
500	\$51.29	\$34.90	\$16.39	\$59.10	\$42.71	\$16.39	\$7.81	15.2%	
750	\$80.14	\$52.34	\$27.80	\$91.86	\$64.06	\$27.80	\$11.72	14.6%	
1250	\$137.57	\$87.24	\$50.33	\$157.10	\$106.77	\$50.33	\$19.53	14.2%	

Present Rates: A-60

Customer Charge		\$0.00
Transmission Energy Charge (1)	kWh x	\$0.00577
Initial Block Energy Charge (1st 450 kWh)	kWh x	\$0.01688
Second Block Energy Charge (next 750 kWh)	kWh x	\$0.03055
Tail Block Energy Charge	kWh x	\$0.02548
Transition Energy Charge	kWh x	\$0.00845
C&LM Adjustment	kWh x	\$0.00230
S.O. Adj.	kWh x	\$0.00000
Customer Credit	kWh x	-\$0.00329
Gross Earnings Tax		4.00%

Standard Offer Charge kWh x \$0.06700

Proposed Rates: A-60

Customer Charge		\$0.00
Transmission Energy Charge (2)	kWh x	\$0.00577
Initial Block Energy Charge (1st 450 kWh)	kWh x	\$0.01688
Second Block Energy Charge (next 750 kWh)	kWh x	\$0.03055
Tail Block Energy Charge	kWh x	\$0.02548
Transition Energy Charge	kWh x	\$0.00845
C&LM Adjustment	kWh x	\$0.00230
S.O. Adj.	kWh x	\$0.00000
Customer Credit	kWh x	-\$0.00329
Gross Earnings Tax		4.00%

Standard Offer Charge kWh x \$0.08200

Note (1): Includes Transmission Adjustment Factor of \$.00239/kWh.

Note (2): Includes Transmission Adjustment Factor of \$.00239/kWh.

File: S:\RADATA1\2005 neco\Standard Offer\Mid-year filing\TYPBILLS.XLS\Input Section

Date: 29-Jul-05

Time: 07:48 AM

The Narragansett Electric Company  
Calculation of Monthly Typical Bill  
Comparison of Present and Proposed Rates  
Impact on A-60 Rate Customers - Winter (December through March)  
With Control Credit for Water Heater

Monthly kWh	Present Rates Standard Offer			Proposed Rates Standard Offer			Difference		
	Total	"Wires"		Total	"Wires"		Amount	% of Total	
100	\$9.57	\$6.98	\$2.59	\$11.13	\$8.54	\$2.59	\$1.56	16.3%	
200	\$19.13	\$13.96	\$5.17	\$22.25	\$17.08	\$5.17	\$3.12	16.3%	
300	\$28.70	\$20.94	\$7.76	\$33.39	\$25.63	\$7.76	\$4.69	16.3%	
500	\$48.54	\$34.90	\$13.64	\$56.35	\$42.71	\$13.64	\$7.81	16.1%	
750	\$76.01	\$52.34	\$23.67	\$87.73	\$64.06	\$23.67	\$11.72	15.4%	
1250	\$133.45	\$87.24	\$46.21	\$152.98	\$106.77	\$46.21	\$19.53	14.6%	

Present Rates: A-60

Customer Charge		\$0.00
Transmission Energy Charge (1)	kWh x	\$0.00577
Initial Block Energy Charge (1st 450 kWh)	kWh x	\$0.01688
Second Block Energy Charge (next 750 kWh)	kWh x	\$0.03055
Tail Block Energy Charge	kWh x	\$0.02548
Transition Energy Charge	kWh x	\$0.00845
C&LM Adjustment	kWh x	\$0.00230
S.O. Adj.	kWh x	\$0.00000
Customer Credit	kWh x	-\$0.00329
Water Heating Credit	kWh x	-\$0.00528
Gross Earnings Tax		4.00%
Standard Offer Charge	kWh x	\$0.06700

Proposed Rates: A-60

Customer Charge		\$0.00
Transmission Energy Charge (2)	kWh x	\$0.00577
Initial Block Energy Charge (1st 450 kWh)	kWh x	\$0.01688
Second Block Energy Charge (next 750 kWh)	kWh x	\$0.03055
Tail Block Energy Charge	kWh x	\$0.02548
Transition Energy Charge	kWh x	\$0.00845
C&LM Adjustment	kWh x	\$0.00230
S.O. Adj.	kWh x	\$0.00000
Customer Credit	kWh x	-\$0.00329
Water Heating Credit	kWh x	-\$0.00528
Gross Earnings Tax		4.00%
Standard Offer Charge		\$0.08200

Note (1): Includes Transmission Adjustment Factor of \$.00239/kWh.

Note (2): Includes Transmission Adjustment Factor of \$.00239/kWh.

File: S:\RADATA1\2005 neco\Standard Offer\Mid-year filing\TYPBILLS.XLS\Input Section

Date: 29-Jul-05

Time: 07:48 AM

The Narragansett Electric Company  
Calculation of Monthly Typical Bill  
Comparison of Present and Proposed Rates  
Impact on A-60 Rate Customers - Non-Winter (April through November)  
Without Control Credit for Water Heater

Monthly kWh	Present Rates			Proposed Rates			Difference		
	Total	Standard Offer	"Wires"	Total	Standard Offer	"Wires"	Amount	% of Total	
100	\$10.12	\$6.98	\$3.14	\$11.68	\$8.54	\$3.14	\$1.56	15.4%	
200	\$20.23	\$13.96	\$6.27	\$23.35	\$17.08	\$6.27	\$3.12	15.4%	
300	\$30.35	\$20.94	\$9.41	\$35.04	\$25.63	\$9.41	\$4.69	15.5%	
500	\$51.29	\$34.90	\$16.39	\$59.10	\$42.71	\$16.39	\$7.81	15.2%	
750	\$80.14	\$52.34	\$27.80	\$91.86	\$64.06	\$27.80	\$11.72	14.6%	
1250	\$137.84	\$87.24	\$50.60	\$157.37	\$106.77	\$50.60	\$19.53	14.2%	

Present Rates: A-60

Customer Charge		\$0.00
Transmission Energy Charge (1)	kWh x	\$0.00577
Initial Block Energy Charge (1st 450 kWh)	kWh x	\$0.01688
Tail Block Energy Charge	kWh x	\$0.03055
Transition Energy Charge	kWh x	\$0.00845
C&LM Adjustment	kWh x	\$0.00230
S.O. Adj.	kWh x	\$0.00000
Customer Credit	kWh x	-\$0.00329

Gross Earnings Tax 4.0%

Standard Offer Charge kWh x \$0.06700

Proposed Rates: A-60

Customer Charge		\$0.00
Transmission Energy Charge (2)	kWh x	\$0.00577
Initial Block Energy Charge (1st 450 kWh)	kWh x	\$0.01688
Tail Block Energy Charge	kWh x	\$0.03055
Transition Energy Charge	kWh x	\$0.00845
C&LM Adjustment	kWh x	\$0.00230
S.O. Adj.	kWh x	\$0.00000
Customer Credit	kWh x	-\$0.00329

Gross Earnings Tax 4.0%

Standard Offer Charge kWh x \$0.08200

Note (1): Includes Transmission Adjustment Factor of \$.00239/kWh.

Note (2): Includes Transmission Adjustment Factor of \$.00239/kWh.

File: S:\RADATA1\2005 neco\Standard Offer\Mid-year filing\TYPBILLS.XLS\Input Section

Date: 29-Jul-05

Time: 07:48 AM

The Narragansett Electric Company  
Calculation of Monthly Typical Bill  
Comparison of Present and Proposed Rates  
Impact on A-60 Rate Customers - Non-Winter (April through November)  
With Control Credit for Water Heater

Monthly kWh	Present Rates Standard Offer			Proposed Rates Standard Offer			Difference		
	Total	"Wires"		Total	"Wires"		Amount	% of Total	
100	\$9.57	\$6.98	\$2.59	\$11.13	\$8.54	\$2.59	\$1.56	16.3%	
200	\$19.13	\$13.96	\$5.17	\$22.25	\$17.08	\$5.17	\$3.12	16.3%	
300	\$28.70	\$20.94	\$7.76	\$33.39	\$25.63	\$7.76	\$4.69	16.3%	
500	\$48.54	\$34.90	\$13.64	\$56.35	\$42.71	\$13.64	\$7.81	16.1%	
750	\$76.01	\$52.34	\$23.67	\$87.73	\$64.06	\$23.67	\$11.72	15.4%	
1250	\$133.71	\$87.24	\$46.47	\$153.24	\$106.77	\$46.47	\$19.53	14.6%	

Present Rates: A-60

Customer Charge		\$0.01
Transmission Energy Charge (1)	kWh x	\$0.00577
Initial Block Energy Charge (1st 450 kWh)	kWh x	\$0.01688
Tail Block Energy Charge	kWh x	\$0.03055
Transition Energy Charge	kWh x	\$0.00845
C&LM Adjustment	kWh x	\$0.00230
S.O. Adj.	kWh x	\$0.00000
Customer Credit	kWh x	-\$0.00329
Water Heating Credit	kWh x	-\$0.00528
Gross Earnings Tax		4.0%

Standard Offer Charge \$0.06700

Proposed Rates: A-60

Customer Charge		\$0.01
Transmission Energy Charge (2)	kWh x	\$0.00577
Initial Block Energy Charge (1st 450 kWh)	kWh x	\$0.01688
Tail Block Energy Charge	kWh x	\$0.03055
Transition Energy Charge	kWh x	\$0.00845
C&LM Adjustment	kWh x	\$0.00230
S.O. Adj.	kWh x	\$0.00000
Customer Credit	kWh x	-\$0.00329
Water Heating Credit	kWh x	-\$0.00528
Gross Earnings Tax		4.0%

Standard Offer Charge \$0.08200

Note (1): Includes Transmission Adjustment Factor of \$.00239/kWh.

Note (2): Includes Transmission Adjustment Factor of \$.00239/kWh.

File: S:\RADATA1\2005 neco\Standard Offer\Mid-year filing\TYPBILLS.XLS\Input Section

Date: 29-Jul-05

Time: 07:48 AM

The Narragansett Electric Company  
Calculation of Monthly Typical Bill  
Comparison of Present and Proposed Rates  
Impact on C-06 Rate Customers

Monthly kWh	Present Rates			Proposed Rates			Increase/(Decrease)		Number of Custs
	Total	Standard Offer	"Wires"	Total	Standard Offer	"Wires"	Amount	% of Total	
250	\$37.10	\$17.45	\$19.65	\$41.00	\$21.35	\$19.65	\$3.90	10.5%	17,634
500	\$67.96	\$34.90	\$33.06	\$75.77	\$42.71	\$33.06	\$7.81	11.5%	8,533
1,000	\$129.65	\$69.79	\$59.86	\$145.28	\$85.42	\$59.86	\$15.63	12.1%	9,471
1,500	\$191.36	\$104.69	\$86.67	\$214.80	\$128.13	\$86.67	\$23.44	12.2%	4,891
2,000	\$253.06	\$139.58	\$113.48	\$284.31	\$170.83	\$113.48	\$31.25	12.3%	9,573

Present Rates:

C-06

Customer Charge		\$6.00
Transmission Energy Charge (1)	kWh x	\$0.00775
Distribution Energy Charge	kWh x	\$0.03662
Transition Energy Charge	kWh x	\$0.00845
C&LM Adjustment	kWh x	\$0.00230
S.O. Adj.	kWh x	\$0.00000
Customer Credit	kWh x	-\$0.00365
Gross Earnings Tax		4.00%

Standard Offer Charge	kWh x	\$0.06700
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Proposed Rates:

C-06

Customer Charge		\$6.00
Transmission Energy Charge (2)	kWh x	\$0.00775
Distribution Energy Charge	kWh x	\$0.03662
Transition Energy Charge	kWh x	\$0.00845
C&LM Adjustment	kWh x	\$0.00230
S.O. Adj.	kWh x	\$0.00000
Customer Credit	kWh x	-\$0.00365
Gross Earnings Tax		4.00%

Standard Offer Charge	kWh x	\$0.08200
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Note (1): Includes Transmission Adjustment Factor of \$.00239/kWh.

Note (2): Includes Transmission Adjustment Factor of \$.00239/kWh.



File: S:\RADATA1\2005 neco\Standard Offer\Mid-year filing\TYPBILLS.XLS\Input Section

Date: 29-Jul-05

Time: 07:48 AM

The Narragansett Electric Company  
Calculation of Monthly Typical Bill  
Comparison of Present and Proposed Rates  
Impact on R-02 (Phase-out to C-06) Rate Customers

Monthly kWh	Present Rates			Proposed Rates			Increase/(Decrease)		Number of Custs
	Total	Standard Offer	"Wires"	Total	Standard Offer	"Wires"	Amount	% of Total	
250	\$24.66	\$17.45	\$7.21	\$28.56	\$21.35	\$7.21	\$3.90	15.8%	96
500	\$48.95	\$34.90	\$14.05	\$56.76	\$42.71	\$14.05	\$7.81	16.0%	142
1,000	\$97.52	\$69.79	\$27.73	\$113.15	\$85.42	\$27.73	\$15.63	16.0%	302
1,500	\$146.10	\$104.69	\$41.41	\$169.54	\$128.13	\$41.41	\$23.44	16.0%	63
2,000	\$194.66	\$139.58	\$55.08	\$225.91	\$170.83	\$55.08	\$31.25	16.1%	11

Present Rates:

R-02 (Phase-out to C-06)

Unmetered Charge		\$0.36
Transmission Energy Charge (1)	kWh x	\$0.00498
Distribution Energy Charge	kWh x	\$0.01418
Transition Energy Charge	kWh x	\$0.00845
C&LM Adjustment	kWh x	\$0.00230
S.O. Adj.	kWh x	\$0.00000
Customer Credit	kWh x	-\$0.00365
Gross Earnings Tax		4.00%

Standard Offer Charge	kWh x	\$0.06700
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Proposed Rates:

R-02 (Phase-out to C-06)

Unmetered Charge		\$0.36
Transmission Energy Charge (2)	kWh x	\$0.00498
Distribution Energy Charge	kWh x	\$0.01418
Transition Energy Charge	kWh x	\$0.00845
C&LM Adjustment	kWh x	\$0.00230
S.O. Adj.	kWh x	\$0.00000
Customer Credit	kWh x	-\$0.00365
Gross Earnings Tax		4.00%

Standard Offer Charge	kWh x	\$0.08200
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Note (1): Includes Transmission Adjustment Factor of \$.00239/kWh.

Note (2): Includes Transmission Adjustment Factor of \$.00239/kWh.

File: S:\RADATA1\2005 neco\Standard Offer\Mid-year filing\TYPBILLS.XLS\Input Section

Date: 29-Jul-05

Time: 07:48 AM

The Narragansett Electric Company  
Calculation of Monthly Typical Bill  
Comparison of Present and Proposed Rates  
Impact on E-30 (Phase-out to A-16) Rate Customers

Monthly kWh	Present Rates			Proposed Rates			Increase/(Decrease)		Number of Custs
	Total	Standard Offer	"Wires"	Total	Standard Offer	"Wires"	Amount	% of Total	
1,000	\$105.85	\$69.79	\$36.06	\$121.48	\$85.42	\$36.06	\$15.63	14.8%	2
2,500	\$260.34	\$174.48	\$85.86	\$299.40	\$213.54	\$85.86	\$39.06	15.0%	2
5,000	\$517.81	\$348.96	\$168.85	\$595.93	\$427.08	\$168.85	\$78.12	15.1%	5
10,000	\$1,032.76	\$697.92	\$334.84	\$1,189.01	\$854.17	\$334.84	\$156.25	15.1%	0
25,000	\$2,577.60	\$1,744.79	\$832.81	\$2,968.23	\$2,135.42	\$832.81	\$390.63	15.2%	1
50,000	\$5,152.34	\$3,489.58	\$1,662.76	\$5,933.59	\$4,270.83	\$1,662.76	\$781.25	15.2%	3

Present Rates:

E-30 (Phase-out to A-16)

Customer Charge		\$2.75
Transmission Energy Charge (1)	kWh x	\$0.00500
Distribution Energy Charge	kWh x	\$0.01941
Transition Energy Charge	kWh x	\$0.00845
C&LM Adjustment	kWh x	\$0.00230
S.O. Adj.	kWh x	\$0.00000
Customer Credit	kWh x	-\$0.00329

Gross Earnings Tax 4.00%

Standard Offer Charge kWh x \$0.06700

Proposed Rates:

E-30 (Phase-out to A-16)

Customer Charge		\$2.75
Transmission Energy Charge (2)	kWh x	\$0.00500
Distribution Energy Charge	kWh x	\$0.01941
Transition Energy Charge	kWh x	\$0.00845
C&LM Adjustment	kWh x	\$0.00230
S.O. Adj.	kWh x	\$0.00000
Customer Credit	kWh x	-\$0.00329

Gross Earnings Tax 4.00%

Standard Offer Charge kWh x \$0.08200

Note (1): Includes Transmission Adjustment Factor of \$.00239/kWh.

Note (2): Includes Transmission Adjustment Factor of \$.00239/kWh.

File: S:\RADATA\1\2005 neco\Standard Offer\Mid-year filing\TYPBILLS.XLS\Input Section

Date: 29-Jul-05

Time: 07:48 AM

The Narragansett Electric Company  
Calculation of Monthly Typical Bill  
Comparison of Present and Proposed Rates  
Impact on G-02 Rate Customers

Hours Use: 200

Monthly Power		Present Rates			Proposed Rates			Increase/(Decrease)	
kW	kWh	Total	Standard Offer	"Wires"	Total	Standard Offer	"Wires"	Amount	% of Total
20	4,000	\$510.70	\$279.17	\$231.53	\$573.20	\$341.67	\$231.53	\$62.50	12.2%
50	10,000	\$1,187.51	\$697.92	\$489.59	\$1,343.76	\$854.17	\$489.59	\$156.25	13.2%
100	20,000	\$2,315.53	\$1,395.83	\$919.70	\$2,628.03	\$1,708.33	\$919.70	\$312.50	13.5%
150	30,000	\$3,443.55	\$2,093.75	\$1,349.80	\$3,912.30	\$2,562.50	\$1,349.80	\$468.75	13.6%

Present Rates:

G-02

Customer Charge		\$103.41
Transmission Demand Charge-xcs 10 kW	kW x	\$1.40
Transmission Adjustment Factor	kWh x	\$0.00239
Distribution Demand Charge-xcs 10 kW	kW x	\$3.23
Distribution Energy Charge	kWh x	\$0.00777
Transition Energy Charge	kWh x	\$0.00845
C&LM Adjustment	kWh x	\$0.00230
S.O. Adj.	kWh x	\$0.00000
Customer Credit	kWh x	-\$0.00277
Gross Earnings Tax		4.00%
Standard Offer Charge	kWh x	\$0.06700

Proposed Rates:

G-02

Customer Charge		\$103.41
Transmission Demand Charge-xcs 10 kW	kW x	\$1.40
Transmission Adjustment Factor	kWh x	\$0.00239
Distribution Demand Charge-xcs 10 kW	kW x	\$3.23
Distribution Energy Charge	kWh x	\$0.00777
Transition Energy Charge	kWh x	\$0.00845
C&LM Adjustment	kWh x	\$0.00230
S.O. Adj.	kWh x	\$0.00000
Customer Credit	kWh x	-\$0.00277
Gross Earnings Tax		4.00%
Standard Offer Charge	kWh x	\$0.08200

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Time: 07:48 AM

The Narragansett Electric Company  
Calculation of Monthly Typical Bill  
Comparison of Present and Proposed Rates  
Impact on G-02 Rate Customers

Hours Use: 300

Monthly Power		Present Rates			Proposed Rates			Increase/(Decrease)	
kW	kWh	Total	Standard Offer	"Wires"	Total	Standard Offer	"Wires"	Amount	% of Total
20	6,000	\$688.07	\$418.75	\$269.32	\$781.82	\$512.50	\$269.32	\$93.75	13.6%
50	15,000	\$1,630.95	\$1,046.88	\$584.07	\$1,865.32	\$1,281.25	\$584.07	\$234.37	14.4%
100	30,000	\$3,202.41	\$2,093.75	\$1,108.66	\$3,671.16	\$2,562.50	\$1,108.66	\$468.75	14.6%
150	45,000	\$4,773.87	\$3,140.63	\$1,633.24	\$5,476.99	\$3,843.75	\$1,633.24	\$703.12	14.7%

Present Rates: G-02

Customer Charge		\$103.41
Transmission Demand Charge-xcs 10 kW	kW x	\$1.40
Transmission Adjustment Factor	kWh x	\$0.00239
Distribution Demand Charge-xcs 10 kW	kW x	\$3.23
Distribution Energy Charge	kWh x	\$0.00777
Transition Energy Charge	kWh x	\$0.00845
C&LM Adjustment	kWh x	\$0.00230
S.O. Adj.	kWh x	\$0.00000
Customer Credit	kWh x	-\$0.00277
Gross Earnings Tax		4.00%
Standard Offer Charge	kWh x	\$0.06700

Proposed Rates: G-02

Customer Charge		\$103.41
Transmission Demand Charge-xcs 10 kW	kW x	\$1.40
Transmission Adjustment Factor	kWh x	\$0.00239
Distribution Demand Charge-xcs 10 kW	kW x	\$3.23
Distribution Energy Charge	kWh x	\$0.00777
Transition Energy Charge	kWh x	\$0.00845
C&LM Adjustment	kWh x	\$0.00230
S.O. Adj.	kWh x	\$0.00000
Customer Credit	kWh x	-\$0.00277
Gross Earnings Tax		4.00%
Standard Offer Charge	kWh x	\$0.08200

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The Narragansett Electric Company  
Calculation of Monthly Typical Bill  
Comparison of Present and Proposed Rates  
Impact on G-02 Rate Customers

Hours Use: 400

Monthly Power		Present Rates			Proposed Rates			Increase/(Decrease)	
kW	kWh	Total	Standard Offer	"Wires"	Total	Standard Offer	"Wires"	Amount	% of Total
20	8,000	\$865.44	\$558.33	\$307.11	\$990.44	\$683.33	\$307.11	\$125.00	14.4%
50	20,000	\$2,074.38	\$1,395.83	\$678.55	\$2,386.88	\$1,708.33	\$678.55	\$312.50	15.1%
100	40,000	\$4,089.28	\$2,791.67	\$1,297.61	\$4,714.28	\$3,416.67	\$1,297.61	\$625.00	15.3%
150	60,000	\$6,104.18	\$4,187.50	\$1,916.68	\$7,041.68	\$5,125.00	\$1,916.68	\$937.50	15.4%

Present Rates: G-02

Customer Charge		\$103.41
Transmission Demand Charge-xcs 10 kW	kW x	\$1.40
Transmission Adjustment Factor	kWh x	\$0.00239
Distribution Demand Charge-xcs 10 kW	kW x	\$3.23
Distribution Energy Charge	kWh x	\$0.00777
Transition Energy Charge	kWh x	\$0.00845
C&LM Adjustment	kWh x	\$0.00230
S.O. Adj.	kWh x	\$0.00000
Customer Credit	kWh x	-\$0.00277
Gross Earnings Tax		4.00%
Standard Offer Charge	kWh x	\$0.06700

Proposed Rates: G-02

Customer Charge		\$103.41
Transmission Demand Charge-xcs 10 kW	kW x	\$1.40
Transmission Adjustment Factor	kWh x	\$0.00239
Distribution Demand Charge-xcs 10 kW	kW x	\$3.23
Distribution Energy Charge	kWh x	\$0.00777
Transition Energy Charge	kWh x	\$0.00845
C&LM Adjustment	kWh x	\$0.00230
S.O. Adj.	kWh x	\$0.00000
Customer Credit	kWh x	-\$0.00277
Gross Earnings Tax		4.00%
Standard Offer Charge	kWh x	\$0.08200

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The Narragansett Electric Company  
Calculation of Monthly Typical Bill  
Comparison of Present and Proposed Rates  
Impact on G-02 Rate Customers

Hours Use: 500

Monthly Power		Present Rates			Proposed Rates			Increase/(Decrease)	
kW	kWh	Total	Standard Offer	"Wires"	Total	Standard Offer	"Wires"	Amount	% of Total
20	10,000	\$1,042.83	\$697.92	\$344.91	\$1,199.08	\$854.17	\$344.91	\$156.25	15.0%
50	25,000	\$2,517.82	\$1,744.79	\$773.03	\$2,908.45	\$2,135.42	\$773.03	\$390.63	15.5%
100	50,000	\$4,976.15	\$3,489.58	\$1,486.57	\$5,757.40	\$4,270.83	\$1,486.57	\$781.25	15.7%
150	75,000	\$7,434.49	\$5,234.38	\$2,200.11	\$8,606.36	\$6,406.25	\$2,200.11	\$1,171.87	15.8%

Present Rates: G-02

Customer Charge		\$103.41
Transmission Demand Charge-xcs 10 kW	kW x	\$1.40
Transmission Adjustment Factor	kWh x	\$0.00239
Distribution Demand Charge-xcs 10 kW	kW x	\$3.23
Distribution Energy Charge	kWh x	\$0.00777
Transition Energy Charge	kWh x	\$0.00845
C&LM Adjustment	kWh x	\$0.00230
S.O. Adj.	kWh x	\$0.00000
Customer Credit	kWh x	-\$0.00277
Gross Earnings Tax		4.00%
Standard Offer Charge	kWh x	\$0.06700

Proposed Rates: G-02

Customer Charge		\$103.41
Transmission Demand Charge-xcs 10 kW	kW x	\$1.40
Transmission Adjustment Factor	kWh x	\$0.00239
Distribution Demand Charge-xcs 10 kW	kW x	\$3.23
Distribution Energy Charge	kWh x	\$0.00777
Transition Energy Charge	kWh x	\$0.00845
C&LM Adjustment	kWh x	\$0.00230
S.O. Adj.	kWh x	\$0.00000
Customer Credit	kWh x	-\$0.00277
Gross Earnings Tax		4.00%
Standard Offer Charge	kWh x	\$0.08200

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The Narragansett Electric Company  
Calculation of Monthly Typical Bill  
Comparison of Present and Proposed Rates  
Impact on G-02 Rate Customers

Hours Use: 600

Monthly Power		Present Rates			Proposed Rates			Increase/(Decrease)	
kW	kWh	Total	Standard Offer	"Wires"	Total	Standard Offer	"Wires"	Amount	% of Total
20	12,000	\$1,220.20	\$837.50	\$382.70	\$1,407.70	\$1,025.00	\$382.70	\$187.50	15.4%
50	30,000	\$2,961.26	\$2,093.75	\$867.51	\$3,430.01	\$2,562.50	\$867.51	\$468.75	15.8%
100	60,000	\$5,863.03	\$4,187.50	\$1,675.53	\$6,800.53	\$5,125.00	\$1,675.53	\$937.50	16.0%
150	90,000	\$8,764.80	\$6,281.25	\$2,483.55	\$10,171.05	\$7,687.50	\$2,483.55	\$1,406.25	16.0%

Present Rates:

G-02

Customer Charge		\$103.41
Transmission Demand Charge-xcs 10 kW	kW x	\$1.40
Transmission Adjustment Factor	kWh x	\$0.00239
Distribution Demand Charge-xcs 10 kW	kW x	\$3.23
Distribution Energy Charge	kWh x	\$0.00777
Transition Energy Charge	kWh x	\$0.00845
C&LM Adjustment	kWh x	\$0.00230
S.O. Adj.	kWh x	\$0.00000
Customer Credit	kWh x	-\$0.00277
Gross Earnings Tax		4.00%
Standard Offer Charge	kWh x	\$0.06700

Proposed Rates:

G-02

Customer Charge		\$103.41
Transmission Demand Charge-xcs 10 kW	kW x	\$1.40
Transmission Adjustment Factor	kWh x	\$0.00239
Distribution Demand Charge-xcs 10 kW	kW x	\$3.23
Distribution Energy Charge	kWh x	\$0.00777
Transition Energy Charge	kWh x	\$0.00845
C&LM Adjustment	kWh x	\$0.00230
S.O. Adj.	kWh x	\$0.00000
Customer Credit	kWh x	-\$0.00277
Gross Earnings Tax		4.00%
Standard Offer Charge	kWh x	\$0.08200

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The Narragansett Electric Company  
Calculation of Monthly Typical Bill  
Comparison of Present and Proposed Rates  
Impact on G-32 Rate Customers

Hours Use: 200

Monthly Power		Present Rates Standard Offer			Proposed Rates Standard Offer			Increase/(Decrease)	
kW	kWh	Total	Offer	"Wires"	Total	Offer	"Wires"	Amount	% of Total
200	40,000	\$4,561.70	\$2,791.67	\$1,770.03	\$5,186.70	\$3,416.67	\$1,770.03	\$625.00	13.7%
750	150,000	\$16,429.09	\$10,468.75	\$5,960.34	\$18,772.84	\$12,812.50	\$5,960.34	\$2,343.75	14.3%
1,000	200,000	\$21,823.36	\$13,958.33	\$7,865.03	\$24,948.36	\$17,083.33	\$7,865.03	\$3,125.00	14.3%
1,500	300,000	\$32,611.91	\$20,937.50	\$11,674.41	\$37,299.41	\$25,625.00	\$11,674.41	\$4,687.50	14.4%
2,500	500,000	\$54,188.99	\$34,895.83	\$19,293.16	\$62,001.49	\$42,708.33	\$19,293.16	\$7,812.50	14.4%

Present Rates: G-32

Customer Charge		\$236.43
Transmission Demand Charge	kW x	\$1.27
Transmission Adjustment Factor	kWh x	\$0.00239
Distribution Demand Charge	kW x	\$2.10
Distribution Energy Charge	kWh x	\$0.00889
Transition Energy Charge	kWh x	\$0.00845
C&LM Adjustment	kWh x	\$0.00230
S.O. Adj.	kWh x	\$0.00000
Customer Credit	kWh x	-\$0.00231

Gross Earnings Tax 4%

Standard Offer Charge kWh x \$0.06700

Proposed Rates: G-32

Customer Charge		\$236.43
Transmission Demand Charge	kW x	\$1.27
Transmission Adjustment Factor	kWh x	\$0.00239
Distribution Demand Charge	kW x	\$2.10
Distribution Energy Charge	kWh x	\$0.00889
Transition Energy Charge	kWh x	\$0.00845
C&LM Adjustment	kWh x	\$0.00230
S.O. Adj.	kWh x	\$0.00000
Customer Credit	kWh x	-\$0.00231

Gross Earnings Tax 4%

Standard Offer Charge kWh x \$0.08200



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The Narragansett Electric Company  
Calculation of Monthly Typical Bill  
Comparison of Present and Proposed Rates  
Impact on G-32 Rate Customers

Hours Use: 300

Monthly Power		Present Rates Standard Offer			Proposed Rates Standard Offer			Increase/(Decrease)	
kW	kWh	Total		"Wires"	Total		"Wires"	Amount	% of Total
200	60,000	\$6,368.36	\$4,187.50	\$2,180.86	\$7,305.86	\$5,125.00	\$2,180.86	\$937.50	14.7%
750	225,000	\$23,204.10	\$15,703.13	\$7,500.97	\$26,719.72	\$19,218.75	\$7,500.97	\$3,515.62	15.2%
1,000	300,000	\$30,856.70	\$20,937.50	\$9,919.20	\$35,544.20	\$25,625.00	\$9,919.20	\$4,687.50	15.2%
1,500	450,000	\$46,161.91	\$31,406.25	\$14,755.66	\$53,193.16	\$38,437.50	\$14,755.66	\$7,031.25	15.2%
2,500	750,000	\$76,772.32	\$52,343.75	\$24,428.57	\$88,491.07	\$64,062.50	\$24,428.57	\$11,718.75	15.3%

Present Rates: G-32

Customer Charge		\$236.43
Transmission Demand Charge	kW x	\$1.27
Transmission Adjustment Factor	kWh x	\$0.00239
Distribution Demand Charge	kW x	\$2.10
Distribution Energy Charge	kWh x	\$0.00889
Transition Energy Charge	kWh x	\$0.00845
C&LM Adjustment	kWh x	\$0.00230
S.O. Adj.	kWh x	\$0.00000
Customer Credit	kWh x	-\$0.00231

Gross Earnings Tax 4%

Standard Offer Charge kWh x \$0.06700

Proposed Rates: G-32

Customer Charge		\$236.43
Transmission Demand Charge	kW x	\$1.27
Transmission Adjustment Factor	kWh x	\$0.00239
Distribution Demand Charge	kW x	\$2.10
Distribution Energy Charge	kWh x	\$0.00889
Transition Energy Charge	kWh x	\$0.00845
C&LM Adjustment	kWh x	\$0.00230
S.O. Adj.	kWh x	\$0.00000
Customer Credit	kWh x	-\$0.00231

Gross Earnings Tax 4%

Standard Offer Charge kWh x \$0.08200

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The Narragansett Electric Company  
Calculation of Monthly Typical Bill  
Comparison of Present and Proposed Rates  
Impact on G-32 Rate Customers

Hours Use: 400

Monthly Power		Present Rates Standard Offer			Proposed Rates Standard Offer			Increase/(Decrease)	
kW	kWh	Total	Offer	"Wires"	Total	Offer	"Wires"	Amount	% of Total
200	80,000	\$8,175.03	\$5,583.33	\$2,591.70	\$9,425.03	\$6,833.33	\$2,591.70	\$1,250.00	15.3%
750	300,000	\$29,979.09	\$20,937.50	\$9,041.59	\$34,666.59	\$25,625.00	\$9,041.59	\$4,687.50	15.6%
1,000	400,000	\$39,890.03	\$27,916.67	\$11,973.36	\$46,140.03	\$34,166.67	\$11,973.36	\$6,250.00	15.7%
1,500	600,000	\$59,711.91	\$41,875.00	\$17,836.91	\$69,086.91	\$51,250.00	\$17,836.91	\$9,375.00	15.7%
2,500	1,000,000	\$99,355.66	\$69,791.67	\$29,563.99	\$114,980.66	\$85,416.67	\$29,563.99	\$15,625.00	15.7%

Present Rates: G-32

Customer Charge		\$236.43
Transmission Demand Charge	kW x	\$1.27
Transmission Adjustment Factor	kWh x	\$0.00239
Distribution Demand Charge	kW x	\$2.10
Distribution Energy Charge	kWh x	\$0.00889
Transition Energy Charge	kWh x	\$0.00845
C&LM Adjustment	kWh x	\$0.00230
S.O. Adj.	kWh x	\$0.00000
Customer Credit	kWh x	-\$0.00231

Gross Earnings Tax 4%

Standard Offer Charge kWh x \$0.06700

Proposed Rates: G-32

Customer Charge		\$236.43
Transmission Demand Charge	kW x	\$1.27
Transmission Adjustment Factor	kWh x	\$0.00239
Distribution Demand Charge	kW x	\$2.10
Distribution Energy Charge	kWh x	\$0.00889
Transition Energy Charge	kWh x	\$0.00845
C&LM Adjustment	kWh x	\$0.00230
S.O. Adj.	kWh x	\$0.00000
Customer Credit	kWh x	-\$0.00231

Gross Earnings Tax 4%

Standard Offer Charge kWh x \$0.08200

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The Narragansett Electric Company  
Calculation of Monthly Typical Bill  
Comparison of Present and Proposed Rates  
Impact on G-32 Rate Customers

Hours Use: 500

Monthly Power		Present Rates Standard Offer			Proposed Rates Standard Offer			Increase/(Decrease)	
kW	kWh	Total	Offer	"Wires"	Total	Offer	"Wires"	Amount	% of Total
200	100,000	\$9,981.70	\$6,979.17	\$3,002.53	\$11,544.20	\$8,541.67	\$3,002.53	\$1,562.50	15.7%
750	375,000	\$36,754.10	\$26,171.88	\$10,582.22	\$42,613.47	\$32,031.25	\$10,582.22	\$5,859.37	15.9%
1,000	500,000	\$48,923.36	\$34,895.83	\$14,027.53	\$56,735.86	\$42,708.33	\$14,027.53	\$7,812.50	16.0%
1,500	750,000	\$73,261.91	\$52,343.75	\$20,918.16	\$84,980.66	\$64,062.50	\$20,918.16	\$11,718.75	16.0%
2,500	1,250,000	\$121,938.99	\$87,239.58	\$34,699.41	\$141,470.24	\$106,770.83	\$34,699.41	\$19,531.25	16.0%

Present Rates: G-32

Customer Charge		\$236.43
Transmission Demand Charge	kW x	\$1.27
Transmission Adjustment Factor	kWh x	\$0.00239
Distribution Demand Charge	kW x	\$2.10
Distribution Energy Charge	kWh x	\$0.00889
Transition Energy Charge	kWh x	\$0.00845
C&LM Adjustment	kWh x	\$0.00230
S.O. Adj.	kWh x	\$0.00000
Customer Credit	kWh x	-\$0.00231

Gross Earnings Tax 4%

Standard Offer Charge kWh x \$0.06700

Proposed Rates: G-32

Customer Charge		\$236.43
Transmission Demand Charge	kW x	\$1.27
Transmission Adjustment Factor	kWh x	\$0.00239
Distribution Demand Charge	kW x	\$2.10
Distribution Energy Charge	kWh x	\$0.00889
Transition Energy Charge	kWh x	\$0.00845
C&LM Adjustment	kWh x	\$0.00230
S.O. Adj.	kWh x	\$0.00000
Customer Credit	kWh x	-\$0.00231

Gross Earnings Tax 4%

Standard Offer Charge kWh x \$0.08200

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The Narragansett Electric Company  
Calculation of Monthly Typical Bill  
Comparison of Present and Proposed Rates  
Impact on G-32 Rate Customers

Hours Use: 600

Monthly Power		Present Rates Standard Offer			Proposed Rates Standard Offer			Increase/(Decrease)	
kW	kWh	Total	Offer	"Wires"	Total	Offer	"Wires"	Amount	% of Total
200	120,000	\$11,788.36	\$8,375.00	\$3,413.36	\$13,663.36	\$10,250.00	\$3,413.36	\$1,875.00	15.9%
750	450,000	\$43,529.09	\$31,406.25	\$12,122.84	\$50,560.34	\$38,437.50	\$12,122.84	\$7,031.25	16.2%
1,000	600,000	\$57,956.70	\$41,875.00	\$16,081.70	\$67,331.70	\$51,250.00	\$16,081.70	\$9,375.00	16.2%
1,500	900,000	\$86,811.91	\$62,812.50	\$23,999.41	\$100,874.41	\$76,875.00	\$23,999.41	\$14,062.50	16.2%
2,500	1,500,000	\$144,522.32	\$104,687.50	\$39,834.82	\$167,959.82	\$128,125.00	\$39,834.82	\$23,437.50	16.2%

Present Rates: G-32

Customer Charge		\$236.43
Transmission Demand Charge	kW x	\$1.27
Transmission Adjustment Factor	kWh x	\$0.00239
Distribution Demand Charge	kW x	\$2.10
Distribution Energy Charge	kWh x	\$0.00889
Transition Energy Charge	kWh x	\$0.00845
C&LM Adjustment	kWh x	\$0.00230
S.O. Adj.	kWh x	\$0.00000
Customer Credit	kWh x	-\$0.00231

Gross Earnings Tax 4%

Standard Offer Charge kWh x \$0.06700

Proposed Rates: G-32

Customer Charge		\$236.43
Transmission Demand Charge	kW x	\$1.27
Transmission Adjustment Factor	kWh x	\$0.00239
Distribution Demand Charge	kW x	\$2.10
Distribution Energy Charge	kWh x	\$0.00889
Transition Energy Charge	kWh x	\$0.00845
C&LM Adjustment	kWh x	\$0.00230
S.O. Adj.	kWh x	\$0.00000
Customer Credit	kWh x	-\$0.00231

Gross Earnings Tax 4%

Standard Offer Charge kWh x \$0.08200

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The Narragansett Electric Company  
Calculation of Monthly Typical Bill  
Comparison of Present and Proposed Rates  
Impact on G-62 Rate Customers

Hours Use: 200

Monthly Power		Present Rates			Proposed Rates			Increase/(Decrease)	
kW	kWh	Total	Standard Offer	"Wires"	Total	Standard Offer	"Wires"	Amount	% of Total
3,000	600,000	\$78,250.75	\$41,875.00	\$36,375.75	\$87,625.75	\$51,250.00	\$36,375.75	\$9,375.00	12.0%
5,000	1,000,000	\$118,529.92	\$69,791.67	\$48,738.25	\$134,154.92	\$85,416.67	\$48,738.25	\$15,625.00	13.2%
7,500	1,500,000	\$168,878.88	\$104,687.50	\$64,191.38	\$192,316.38	\$128,125.00	\$64,191.38	\$23,437.50	13.9%
10,000	2,000,000	\$219,227.83	\$139,583.33	\$79,644.50	\$250,477.83	\$170,833.33	\$79,644.50	\$31,250.00	14.3%
20,000	4,000,000	\$420,623.67	\$279,166.67	\$141,457.00	\$483,123.67	\$341,666.67	\$141,457.00	\$62,500.00	14.9%

Present Rates: G-62

Customer Charge		\$17,118.72
Transmission Demand Charge	kW x	\$1.39
Transmission Adjustment Factor	kWh x	\$0.00239
Distribution Demand Charge	kW x	\$2.34
Distribution Energy Charge	kWh x	\$0.00000
Transition Energy Charge	kWh x	\$0.00845
C&LM Adjustment	kWh x	\$0.00230
S.O. Adj.	kWh x	\$0.00000
Customer Credit	kWh x	-\$0.00212

Gross Earnings Tax 4%

Standard Offer Charge kWh x \$0.06700

Proposed Rates: G-62

Customer Charge		\$17,118.72
Transmission Demand Charge	kW x	\$1.39
Transmission Adjustment Factor	kWh x	\$0.00239
Distribution Demand Charge	kW x	\$2.34
Distribution Energy Charge	kWh x	\$0.00000
Transition Energy Charge	kWh x	\$0.00845
C&LM Adjustment	kWh x	\$0.00230
S.O. Adj.	kWh x	\$0.00000
Customer Credit	kWh x	-\$0.00212

Gross Earnings Tax 4%

Standard Offer Charge kWh x \$0.08200

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Time: 07:48 AM

The Narragansett Electric Company  
Calculation of Monthly Typical Bill  
Comparison of Present and Proposed Rates  
Impact on G-62 Rate Customers

Hours Use: 300

Monthly Power		Present Rates			Proposed Rates			Increase/(Decrease)	
kW	kWh	Total	Standard Offer	"Wires"	Total	Standard Offer	"Wires"	Amount	% of Total
3,000	900,000	\$102,632.00	\$62,812.50	\$39,819.50	\$116,694.50	\$76,875.00	\$39,819.50	\$14,062.50	13.7%
5,000	1,500,000	\$159,165.33	\$104,687.50	\$54,477.83	\$182,602.83	\$128,125.00	\$54,477.83	\$23,437.50	14.7%
7,500	2,250,000	\$229,832.00	\$157,031.25	\$72,800.75	\$264,988.25	\$192,187.50	\$72,800.75	\$35,156.25	15.3%
10,000	3,000,000	\$300,498.67	\$209,375.00	\$91,123.67	\$347,373.67	\$256,250.00	\$91,123.67	\$46,875.00	15.6%
20,000	6,000,000	\$583,165.33	\$418,750.00	\$164,415.33	\$676,915.33	\$512,500.00	\$164,415.33	\$93,750.00	16.1%

Present Rates: G-62

Customer Charge		\$17,118.72
Transmission Demand Charge	kW x	\$1.39
Transmission Adjustment Factor	kWh x	\$0.00239
Distribution Demand Charge	kW x	\$2.34
Distribution Energy Charge	kWh x	\$0.00000
Transition Energy Charge	kWh x	\$0.00845
C&LM Adjustment	kWh x	\$0.00230
S.O. Adj.	kWh x	\$0.00000
Customer Credit	kWh x	-\$0.00212

Gross Earnings Tax 4%

Standard Offer Charge kWh x \$0.06700

Proposed Rates: G-62

Customer Charge		\$17,118.72
Transmission Demand Charge	kW x	\$1.39
Transmission Adjustment Factor	kWh x	\$0.00239
Distribution Demand Charge	kW x	\$2.34
Distribution Energy Charge	kWh x	\$0.00000
Transition Energy Charge	kWh x	\$0.00845
C&LM Adjustment	kWh x	\$0.00230
S.O. Adj.	kWh x	\$0.00000
Customer Credit	kWh x	-\$0.00212

Gross Earnings Tax 4%

Standard Offer Charge kWh x \$0.08200

File: S:\RADATA1\2005 neco\Standard Offer\Mid-year filing\TYPBILLS.XLS\Input Section

Date: 29-Jul-05

Time: 07:48 AM

The Narragansett Electric Company  
Calculation of Monthly Typical Bill  
Comparison of Present and Proposed Rates  
Impact on G-62 Rate Customers

Hours Use: 400

Monthly Power		Present Rates			Proposed Rates			Increase/(Decrease)	
kW	kWh	Total	Standard Offer	"Wires"	Total	Standard Offer	"Wires"	Amount	% of Total
3,000	1,200,000	\$127,013.25	\$83,750.00	\$43,263.25	\$145,763.25	\$102,500.00	\$43,263.25	\$18,750.00	14.8%
5,000	2,000,000	\$199,800.75	\$139,583.33	\$60,217.42	\$231,050.75	\$170,833.33	\$60,217.42	\$31,250.00	15.6%
7,500	3,000,000	\$290,785.13	\$209,375.00	\$81,410.13	\$337,660.13	\$256,250.00	\$81,410.13	\$46,875.00	16.1%
10,000	4,000,000	\$381,769.50	\$279,166.67	\$102,602.83	\$444,269.50	\$341,666.67	\$102,602.83	\$62,500.00	16.4%
20,000	8,000,000	\$745,707.00	\$558,333.33	\$187,373.67	\$870,707.00	\$683,333.33	\$187,373.67	\$125,000.00	16.8%

Present Rates: G-62

Customer Charge		\$17,118.72
Transmission Demand Charge	kW x	\$1.39
Transmission Adjustment Factor	kWh x	\$0.00239
Distribution Demand Charge	kW x	\$2.34
Distribution Energy Charge	kWh x	\$0.00000
Transition Energy Charge	kWh x	\$0.00845
C&LM Adjustment	kWh x	\$0.00230
S.O. Adj.	kWh x	\$0.00000
Customer Credit	kWh x	-\$0.00212

Gross Earnings Tax 4%

Standard Offer Charge kWh x \$0.06700

Proposed Rates: G-62

Customer Charge		\$17,118.72
Transmission Demand Charge	kW x	\$1.39
Transmission Adjustment Factor	kWh x	\$0.00239
Distribution Demand Charge	kW x	\$2.34
Distribution Energy Charge	kWh x	\$0.00000
Transition Energy Charge	kWh x	\$0.00845
C&LM Adjustment	kWh x	\$0.00230
S.O. Adj.	kWh x	\$0.00000
Customer Credit	kWh x	-\$0.00212

Gross Earnings Tax 4%

Standard Offer Charge kWh x \$0.08200

File: S:\RADATA1\2005 neco\Standard Offer\Mid-year filing\TYPBILLS.XLS\Input Section

Date: 29-Jul-05

Time: 07:48 AM

The Narragansett Electric Company  
Calculation of Monthly Typical Bill  
Comparison of Present and Proposed Rates  
Impact on G-62 Rate Customers

Hours Use: 500

Monthly Power		Present Rates			Proposed Rates			Increase/(Decrease)	
kW	kWh	Total	Standard Offer	"Wires"	Total	Standard Offer	"Wires"	Amount	% of Total
3,000	1,500,000	\$151,394.50	\$104,687.50	\$46,707.00	\$174,832.00	\$128,125.00	\$46,707.00	\$23,437.50	15.5%
5,000	2,500,000	\$240,436.17	\$174,479.17	\$65,957.00	\$279,498.67	\$213,541.67	\$65,957.00	\$39,062.50	16.2%
7,500	3,750,000	\$351,738.25	\$261,718.75	\$90,019.50	\$410,332.00	\$320,312.50	\$90,019.50	\$58,593.75	16.7%
10,000	5,000,000	\$463,040.33	\$348,958.33	\$114,082.00	\$541,165.33	\$427,083.33	\$114,082.00	\$78,125.00	16.9%
20,000	10,000,000	\$908,248.67	\$697,916.67	\$210,332.00	#####	\$854,166.67	\$210,332.00	\$156,250.00	17.2%

Present Rates: G-62

Customer Charge		\$17,118.72
Transmission Demand Charge	kW x	\$1.39
Transmission Adjustment Factor	kWh x	\$0.00239
Distribution Demand Charge	kW x	\$2.34
Distribution Energy Charge	kWh x	\$0.00000
Transition Energy Charge	kWh x	\$0.00845
C&LM Adjustment	kWh x	\$0.00230
S.O. Adj.	kWh x	\$0.00000
Customer Credit	kWh x	-\$0.00212

Gross Earnings Tax 4%

Standard Offer Charge kWh x \$0.06700

Proposed Rates: G-62

Customer Charge		\$17,118.72
Transmission Demand Charge	kW x	\$1.39
Transmission Adjustment Factor	kWh x	\$0.00239
Distribution Demand Charge	kW x	\$2.34
Distribution Energy Charge	kWh x	\$0.00000
Transition Energy Charge	kWh x	\$0.00845
C&LM Adjustment	kWh x	\$0.00230
S.O. Adj.	kWh x	\$0.00000
Customer Credit	kWh x	-\$0.00212

Gross Earnings Tax 4%

Standard Offer Charge kWh x \$0.08200



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Date: 29-Jul-05

Time: 07:48 AM

The Narragansett Electric Company  
Calculation of Monthly Typical Bill  
Comparison of Present and Proposed Rates  
Impact on G-62 Rate Customers

Hours Use: 600

Monthly Power		Present Rates			Proposed Rates			Increase/(Decrease)	
kW	kWh	Total	Standard Offer	"Wires"	Total	Standard Offer	"Wires"	Amount	% of Total
3,000	1,800,000	\$175,775.75	\$125,625.00	\$50,150.75	\$203,900.75	\$153,750.00	\$50,150.75	\$28,125.00	16.0%
5,000	3,000,000	\$281,071.58	\$209,375.00	\$71,696.58	\$327,946.58	\$256,250.00	\$71,696.58	\$46,875.00	16.7%
7,500	4,500,000	\$412,691.38	\$314,062.50	\$98,628.88	\$483,003.88	\$384,375.00	\$98,628.88	\$70,312.50	17.0%
10,000	6,000,000	\$544,311.17	\$418,750.00	\$125,561.17	\$638,061.17	\$512,500.00	\$125,561.17	\$93,750.00	17.2%
20,000	12,000,000	\$1,070,790.33	\$837,500.00	\$233,290.33	\$1,258,290.33	\$1,025,000.00	\$233,290.33	\$187,500.00	17.5%

Present Rates: G-62

Customer Charge		\$17,118.72
Transmission Demand Charge	kW x	\$1.39
Transmission Adjustment Factor	kWh x	\$0.00239
Distribution Demand Charge	kW x	\$2.34
Distribution Energy Charge	kWh x	\$0.00000
Transition Energy Charge	kWh x	\$0.00845
C&LM Adjustment	kWh x	\$0.00230
S.O. Adj.	kWh x	\$0.00000
Customer Credit	kWh x	-\$0.00212

Gross Earnings Tax 4%

Standard Offer Charge kWh x \$0.06700

Proposed Rates: G-62

Customer Charge		\$17,118.72
Transmission Demand Charge	kW x	\$1.39
Transmission Adjustment Factor	kWh x	\$0.00239
Distribution Demand Charge	kW x	\$2.34
Distribution Energy Charge	kWh x	\$0.00000
Transition Energy Charge	kWh x	\$0.00845
C&LM Adjustment	kWh x	\$0.00230
S.O. Adj.	kWh x	\$0.00000
Customer Credit	kWh x	-\$0.00212

Gross Earnings Tax 4%

Standard Offer Charge kWh x \$0.08200

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Date: 29-Jul-05

Time: 07:48 AM

The Narragansett Electric Company  
Calculation of Monthly Typical Bill  
Comparison of Present and Proposed Rates  
Impact on T-06 (Phase-out to A-16) Rate Customers

Monthly kWh	Present Rates			Proposed Rates			Increase/(Decrease)		Number of Custs
	Total	Standard Offer	"Wires"	Total	Standard Offer	"Wires"	Amount	% of Total	
500	\$57.66	\$34.90	\$22.76	\$65.47	\$42.71	\$22.76	\$7.81	13.5%	59
1,000	\$112.44	\$69.79	\$42.65	\$128.07	\$85.42	\$42.65	\$15.63	13.9%	48
2,000	\$222.01	\$139.58	\$82.43	\$253.26	\$170.83	\$82.43	\$31.25	14.1%	27
5,000	\$550.73	\$348.96	\$201.77	\$628.85	\$427.08	\$201.77	\$78.12	14.2%	29
10,000	\$1,098.60	\$697.92	\$400.68	\$1,254.85	\$854.17	\$400.68	\$156.25	14.2%	14
20,000	\$2,194.32	\$1,395.83	\$798.49	\$2,506.82	\$1,708.33	\$798.49	\$312.50	14.2%	17

Present Rates: T-06 (Phase-out to A-16)

Customer Charge		\$2.75
Transmission Energy Charge (1)	kWh x	\$0.00600
Distribution Energy Charge	kWh x	\$0.02473
Transition Energy Charge	kWh x	\$0.00845
C&LM Adjustment	kWh x	\$0.00230
S.O. Adj.	kWh x	\$0.00000
Customer Credit	kWh x	-\$0.00329

Gross Earnings Tax 4.00%

Standard Offer Charge kWh x \$0.06700

Proposed Rates: T-06 (Phase-out to A-16)

Customer Charge		\$2.75
Transmission Energy Charge (2)	kWh x	\$0.00600
Distribution Energy Charge	kWh x	\$0.02473
Transition Energy Charge	kWh x	\$0.00845
C&LM Adjustment	kWh x	\$0.00230
S.O. Adj.	kWh x	\$0.00000
Customer Credit	kWh x	-\$0.00329

Gross Earnings Tax 4.00%

Standard Offer Charge kWh x \$0.08200

Note (1): Includes Transmission Adjustment Factor of \$.00239/kWh.

Note (2): Includes Transmission Adjustment Factor of \$.00239/kWh.

File: S:\RADATA1\2005 neco\Standard Offer\Mid-year filing\TYPBILLS.XLS\Input Section

Date: 29-Jul-05

Time: 07:48 AM

The Narragansett Electric Company  
Calculation of Monthly Typical Bill  
Comparison of Present and Proposed Rates  
Impact on T-06 (Phase-out to C-06) Rate Customers

Monthly kWh	Present Rates			Proposed Rates			Increase/(Decrease)		Number of Custs
	Total	Standard Offer	"Wires"	Total	Standard Offer	"Wires"	Amount	% of Total	
500	\$61.11	\$34.90	\$26.21	\$68.92	\$42.71	\$26.21	\$7.81	12.8%	2
1,000	\$115.96	\$69.79	\$46.17	\$131.59	\$85.42	\$46.17	\$15.63	13.5%	6
2,000	\$225.66	\$139.58	\$86.08	\$256.91	\$170.83	\$86.08	\$31.25	13.8%	13
5,000	\$554.79	\$348.96	\$205.83	\$632.91	\$427.08	\$205.83	\$78.12	14.1%	14
10,000	\$1,103.34	\$697.92	\$405.42	\$1,259.59	\$854.17	\$405.42	\$156.25	14.2%	13
20,000	\$2,200.41	\$1,395.83	\$804.58	\$2,512.91	\$1,708.33	\$804.58	\$312.50	14.2%	27

Present Rates: T-06 (Phase-out to C-06)

Customer Charge		\$6.00
Transmission Energy Charge (1)	kWh x	\$0.00600
Distribution Energy Charge	kWh x	\$0.02522
Transition Energy Charge	kWh x	\$0.00845
C&LM Adjustment	kWh x	\$0.00230
S.O. Adj.	kWh x	\$0.00000
Customer Credit	kWh x	-\$0.00365

Gross Earnings Tax 4.00%

Standard Offer Charge kWh x \$0.06700

Proposed Rates: T-06 (Phase-out to C-06)

Customer Charge		\$6.00
Transmission Energy Charge (2)	kWh x	\$0.00600
Distribution Energy Charge	kWh x	\$0.02522
Transition Energy Charge	kWh x	\$0.00845
C&LM Adjustment	kWh x	\$0.00230
S.O. Adj.	kWh x	\$0.00000
Customer Credit	kWh x	-\$0.00365

Gross Earnings Tax 4.00%

Standard Offer Charge kWh x \$0.08200

Note (1): Includes Transmission Adjustment Factor of \$.00239/kWh.

Note (2): Includes Transmission Adjustment Factor of \$.00239/kWh.

Testimony of  
Michael J. Hager

THE NARRAGANSETT ELECTRIC COMPANY

Re: Standard Offer Rate Adjustment Filing

Witness: Michael J. Hager

**DIRECT TESTIMONY**

**OF**

**MICHAEL J. HAGER**

1   **I. Introduction**

2   Q.   Please state your name and business address.

3   A.   Michael J. Hager, 55 Bearfoot Road, Northborough, Massachusetts 01532.

5   Q.   Please state your position.

6   A.   I am the Vice President, Energy Supply – New England for National Grid USA Service  
7       Company. I am responsible for, among other things, all power procurement and related  
8       activities for the distribution companies of National Grid USA (formerly the New  
9       England Electric System) including The Narragansett Electric Company (“Narragansett”  
10      or “Company”). These activities include the procurement of power for Standard Offer  
11      Service and Last Resort Service.

13  Q.   Will you describe your educational background and training?

14  A.   In 1982, I graduated from the University of Hartford with a Bachelor of Science degree  
15      in Mechanical Engineering. In 1986, I received a Master of Science degree in  
16      Mechanical Engineering from Northeastern University. I am a Licensed Professional  
17      Engineer in the Commonwealth of Massachusetts.

19  Q.   What is your professional background?

20  A.   From 1982 to 1992, I was employed by New England Power Service Company in various  
21      engineering positions. In these positions, I provided support to New England Power  
22      Company’s (“NEP”) thermal and hydroelectric generating plants with overall

1 responsibility for the management and control of studies and projects from initiation to  
2 completion.

3  
4 From 1992 to 1997, I was employed by NEP where I conducted wholesale and retail  
5 power marketing activities involving the sale and purchase of generation resources to and  
6 from investor-owned utilities, municipalities, independent power producers, government  
7 agencies, brokers, marketers, and end-use retail customers.

8  
9 In June 1997, I was promoted to the position of Standard Offer Portfolio Manager for  
10 New England Power Service Company (now National Grid USA Service Company). In  
11 November 2000, my title was changed to Manager, Distribution Energy Services to more  
12 fully reflect the scope of work performed by my department.

13  
14 In April 2002, I was promoted to the position of Director, Energy Supply – New  
15 England. In December 2002, I was promoted to the position of Vice President, Energy  
16 Supply – New England.

17  
18 Q. Have you previously testified before the Rhode Island Public Utilities Commission  
19 (“Commission”)?

20 A. Yes.

1   **II.    Purpose of Testimony**

2    Q.    What is the purpose of your testimony?

3    A.    The purpose of my testimony is to provide an estimate of the costs Narragansett expects  
4           to incur under its Standard Offer supply contracts for the period July 2005 through  
5           December 2006 and to provide the Commission with an estimate of the Standard Offer  
6           expenses currently being disputed by the Company. The disputed expenses and the status  
7           of each dispute will be discussed in the testimony of Ronald T. Gerwatowski.

8  
9   **III.   Description of Fuel Index Adjustment Provision**

10   Q.    What are the Company's current arrangements for procurement of Standard Offer  
11          Service?

12   A.    The Company has contracts with three suppliers to serve the load within its pre-merger  
13          service territory ("Narragansett Zone"). The Company also has three contracts with  
14          suppliers to serve the load within the service territory of the former Blackstone Valley  
15          Electric Company and Newport Electric Corporation ("EUA Zone"). All of the  
16          Company's contracts run through December 31, 2009.

17  
18   Q.    Please describe the costs that Narragansett incurs under the Standard Offer supply  
19          contracts.

20   A.    All of the Standard Offer supply contracts include two basic price components – a base  
21          price and a fuel index adjustment provision.



1 Q. What is the base price in effect for calendar years 2005 and 2006?

2 A. The base price for calendar year 2005 is 5.5 ¢/kWh. The base price for calendar year  
3 2006 is 5.9¢/kWh.  
4

5 Q. Can you describe the fuel index adjustment provision that is contained in the Standard  
6 Offer contracts?

7 A. Yes. The Company's contracts with its Standard Offer suppliers contain a fuel index  
8 adjustment provision that provides additional payments to those suppliers in the event of  
9 substantial increases in the market price of No. 6 residual fuel oil (1% sulphur) and  
10 natural gas. In short, the provision compares the sum of the twelve-month rolling  
11 average of oil and natural gas prices to a preset trigger point. If the sum of the fuel index  
12 values exceeds the trigger point in a given month then the Company makes additional  
13 payments to the suppliers in that month. If the sum of the fuel index values is less than or  
14 equal to the trigger point in a given month, no additional payments are made in that  
15 month. Comparisons are made each month and thus payments may be made in some  
16 months and not in others. The text of the fuel index adjustment provision that is  
17 applicable to each of the Standard Offer contracts is provided as Exhibit MJH-1.  
18

19 **IV. Fuel Index Estimate for the Period July 2005 through December 2006**

20 Q. Has the Company conducted an estimate of expected costs under the fuel index  
21 adjustment provisions for the period July 2005 through December 2006?

1 A. Yes. The Company has estimated its expected costs under the fuel index adjustment  
2 provisions using average natural gas and crude oil prices as reported in The Wall Street  
3 Journal on July 25, 2005, July 26, 2005 and July 27, 2005  
4

5 Q. What natural gas and oil prices were used in the current estimate?

6 A. Exhibit MJH-2 provides the natural gas and oil values used in the analysis.  
7

8 Q. What are the resulting fuel index trigger payments?

9 A. Exhibit MJH-3 provides the resulting fuel index adjustment payments from the analysis.

10 The analysis shows that the Company would pay an arithmetic average fuel index  
11 adjustment payment for the period July 2005 through December 2005 of 2.458¢/kWh for  
12 the Narragansett Zone load and an arithmetic average of 1.819¢/kWh applicable to both  
13 zones. The fuel index adjustment is not applicable for the EUA Zone load in 2005.

14 Based on actual Standard Offer loads for the most recent 12 month period, this equates to  
15 a total weighted average Standard Offer cost of 7.319¢/kWh applicable to customers in  
16 both zones.  
17

18 Q. How do these costs compare to current market costs for power?

19 A. The Company's market cost proxy for comparable service is the cost it incurs to procure  
20 its Last Resort Service requirements or the cost its affiliates incur to procure their Default  
21 Service requirements. In July 2005, the Company procured Last Resort Service for the  
22 period September 2005 through February 2006 at an arithmetic average rate of

1 8.526¢/kWh for commercial and industrial customers and an arithmetic average rate of  
2 9.163¢/kWh for residential customers.

3  
4 In March 2005, the Company's affiliate in Massachusetts procured its Default Service  
5 requirements for the period May 2005 through October 2005 at an average rate of  
6 7.213¢/kWh for residential customers and 7.208¢/kWh for small commercial customers,  
7 and for the period May 2005 through July 2005 at 7.791¢/kWh, 7.735¢/kWh and  
8 7.632¢/kWh for industrial customers in the NEMA, WCMA and SEMA load zones,  
9 respectively. In June 2005, the Company procured Default Service requirements for the  
10 period August 2005 through October 2005 at 7.849¢/kWh, 7.534¢/kWh and 7.956¢/kWh  
11 for industrial customers in the NEMA, WCMA and SEMA load zones, respectively.

12  
13 Q. Can you provide the details of the current fuel index adjustment provision calculations?

14 A. Yes. Detailed calculations are provided in Exhibit MJH-4.

15  
16 Q. In your review of the fuel indices and awareness of fuel markets, have you seen anything  
17 to indicate that natural gas and oil prices are likely to abate from current levels?

18 A. No. While the Company does not independently estimate natural gas and crude oil  
19 prices, it relies on futures market prices for purposes of estimating future Standard Offer  
20 expenses. General publications and power market publications do not provide any  
21 indication that prices will subside from their current levels in the near future.

1   **V.    Disputed Standard Offer Expenses**

2    Q.    Is the Company currently disputing any of its Standard Offer expense with suppliers?

3    A.    Yes, it is. As described in the testimony of Mr. Gerwatowski, the Company is currently  
4       disputing fuel index charges billed to it by TransCanada Power Marketing, Ltd.

5       ("TransCanada") for Standard Offer Service supplied under a wholesale contract to

6       supply the former EUA Zone. In addition, the Company has an issue related to

7       congestion costs under a second wholesale contract formerly served by USGen New

8       England, Inc. ("USGen") and now assumed by another supplier.

9  
10   Q.    Please indicate the amounts of the disputed charges with these suppliers?

11   A.    Exhibit MJH-5, page 1 of 2, itemizes the monthly congestion charges billed to the

12       Company by USGen. The total amount of the charges incurred since March 2003 is

13       \$689,183. As Mr. Gerwatowski explains in his testimony, the Company has also

14       received a bill for congestion costs from the new supplier. However, these costs are still

15       under review and have not been included in this schedule.

16  
17       Exhibit MJH-5, page 2 of 2, shows the actual and estimated fuel index payments that the

18       Company has made and expects to make to TransCanada for the period January 2005

19       through December 2006. The total amount of actual payments through June 2005 is

20       approximately \$2.1 million and the payments for the period July 2005 through December

21       2006 are estimated to be approximately \$12.2 million. The estimated payments are based

1 on the most recent forecast of natural gas and oil prices and the formula previously used  
2 to calculate the fuel index adjustment applicable to the EUA Standard Offer contracts.  
3

4 **VI. Conclusion**

5 Q. Does this conclude your testimony?

6 A. Yes, it does.





## Standard Offer Fuel Index Adjustment Provision

In the event of substantial increases in the market prices of No. 6 residual fuel oil (1% sulphur) and natural gas after 1999, NECO will pay additional amounts to Seller in accordance with this Standard Offer Fuel Index Adjustment Provision, which is calculated as follows:

The Stipulated Price that is in effect for a given billing month is multiplied by a "Fuel Index Adjustment" that is set equal to 1.0 and thus has no impact on the rate paid unless the "Market Gas Price" plus "Market Oil Price" for the billing month exceeds the "Fuel Trigger Point" then in effect, where:

The Stipulated Price is the following predetermined, flat rate, for energy consumed at the customer meter point:

<u>Calendar Year</u>	<u>Price per Kilowatt hour</u>
1998	3.2 cents
1999	3.5 cents
2000	3.8 cents
2001	3.8 cents
2002	4.2 cents
2003	4.7 cents
2004	5.1 cents
2005	5.5 cents
2006	5.9 cents
2007	6.3 cents
2008	6.7 cents
2009	7.1 cents

Seller will be paid the difference between the Stipulated Price as adjusted in accordance with this Standard Offer Fuel Adjustment Provision and the Stipulated Price for each kilowatt-hour it provides in the applicable month.

Market Gas Price is the average of the values of "Gas Index" for the most recent available twelve months (six months for Standard Offer load in the EUA Zone), where:

Gas Index is the average of the daily settlement prices for the last three days that the NYMEX Contract (as defined below) for the month of delivery trades as reported in "The Wall Street Journal," expressed in dollars per MMBtu. NYMEX Contract shall mean the New York Mercantile Exchange Natural Gas Futures Contract as approved by the Commodity Futures Trading Commission for the purchase and sale of natural gas at Henry Hub;



Market Oil Price is the average of the values of “Oil Index” for the most recent available twelve months (six months for Standard Offer load in the EUA Zone), where:

Oil Index is the average for the month of the daily low quotations for cargo delivery of 1.0% sulphur No. 6 residual fuel oil into New York harbor, as reported in “Platt’s Oilgram U.S. Marketscan” in dollars per barrel and converted to dollars per MMBtu by dividing by 6.3; and

If the indices referred to above should become obsolete or no longer suitable, NECO shall file alternate indices with the RIPUC.

Fuel Trigger Point is the following amounts, expressed in dollars per MMBtu, applicable for all months in the specified calendar year:

2000	\$5.35/MMBtu
2001	\$5.35
2002	\$6.09
2003	\$7.01
2004	\$7.74
2005 *	\$8.48
2006 *	\$9.22
2007 *	\$9.95
2008 *	\$10.69
2009 *	\$11.42

\* For Narragansett Zone only

In the event that the Fuel Trigger Point is exceeded, the Fuel Adjustment value for the billing month is determined based according to the following formula:

$$\text{Fuel Adjustment} = \frac{(\text{Market Gas Price} + \$0.60/\text{MMBtu}) + (\text{Market Oil Price} + \$0.04/\text{MMBtu})}{\text{Fuel Trigger Point} + \$0.60 + \$0.04/\text{MMBtu}}$$

Where:

Market Gas Price, Market Oil Price and Fuel Trigger Point are as defined above. The values of \$.60 and \$.04/MMBtu represent for gas and oil respectively, estimated basis differentials or market costs of transportation from the point where the index is calculated to a proxy power plant in the New England market.

For example if at a point in the year 2002 the Market Gas Price and Market Oil Price total \$6.50 (\$3.50/MMBtu plus \$3.00/MMBtu respectively), the Fuel Trigger Point of 6.09 would be exceeded. In this case the Fuel Adjustment value would be:

$$\frac{(\$3.50 + \$0.60/\text{MMBtu}) + (\$3.00 + \$0.04/\text{MMBtu})}{\$6.09 + \$0.60 + \$0.04/\text{MMBtu}} = 1.0609$$

The Stipulated Price is increased by this Fuel Adjustment factor for the billing month, becoming 4.45484/kWh ( $4.2 \times 1.0609$ ).

In subsequent months the same comparisons are made and, if applicable, a Fuel Adjustment determined.



**Gas and Oil Values  
used in Company's Analyses  
(\$/mmBtu)**

<b>Month</b>	<b>Gas Index</b>	<b>Oil Index</b>
Jul-05	7.158	6.69
Aug-05	7.452	6.47
Sep-05	7.454	6.66
Oct-05	7.503	6.76
Nov-05	8.086	6.82
Dec-05	8.598	6.87
Jan-06	8.969	6.90
Feb-06	8.973	6.91
Mar-06	8.811	6.91
Apr-06	7.722	6.91
May-06	7.571	6.90
Jun-06	7.609	6.89
Jul-06	7.682	6.88
Aug-06	7.722	6.88
Sep-06	7.700	6.87
Oct-06	7.735	6.84
Nov-06	8.093	6.83
Dec-06	8.430	6.80



**Summary of Additional Payments Estimated to be  
Made Pursuant to the Fuel Index Adjustment Provisions  
(Cents/kWh)**

<b>Month</b>	<b>Narragansett Zone</b>	<b>EUA Zone</b>
Jul-05	1.476	n/a
Aug-05	1.606	n/a
Sep-05	1.775	n/a
Oct-05	1.907	n/a
Nov-05	1.996	n/a
Dec-05	2.156	n/a
Jan-06	1.989	n/a
Feb-06	2.161	n/a
Mar-06	2.303	n/a
Apr-06	2.354	n/a
May-06	2.407	n/a
Jun-06	2.471	n/a
Jul-06	2.497	n/a
Aug-06	2.522	n/a
Sep-06	2.539	n/a
Oct-06	2.550	n/a
Nov-06	2.551	n/a
Dec-06	2.543	n/a



Prices published in WSJ on: **25-Jul-05 26-Jul-05 27-Jul-05**

**The Narragansett Electric Company**  
**DETERMINATION OF MARKET GAS PRICE**

(Col. A)	(Col. B)	(Col. C)	(Col. D)	(Col. E)	(Col. F)	(Col. G)	(Col. H)	(Col. I)
Contract Month	Last Month of Trading	Settlement Prices (\$/mmBtu)			Gas Index	NGrid's Market Gas Price	EUA's Market Gas Price	SOS Delivery Month
		3rd Last	2nd Last	Last				
Feb-04	Jan-04	\$5.727	\$5.716	\$5.775	\$5.739	\$5.561	\$4.945	Feb-04
Mar-04	Feb-04	\$5.127	\$5.077	\$5.150	\$5.118	\$5.214	\$5.118	Mar-04
Apr-04	Mar-04	\$5.336	\$5.395	\$5.365	\$5.365	\$5.235	\$5.135	Apr-04
May-04	Apr-04	\$5.764	\$5.874	\$5.935	\$5.858	\$5.277	\$5.276	May-04
Jun-04	May-04	\$6.705	\$6.684	\$6.680	\$6.690	\$5.335	\$5.505	Jun-04
Jul-04	Jun-04	\$6.485	\$6.353	\$6.141	\$6.326	\$5.397	\$5.832	Jul-04
Aug-04	Jul-04	\$5.957	\$5.989	\$6.048	\$5.998	\$5.505	\$5.849	Aug-04
Sep-04	Aug-04	\$5.298	\$5.189	\$5.082	\$5.190	\$5.520	\$5.893	Sep-04
Oct-04	Sep-04	\$5.392	\$5.262	\$5.723	\$5.459	\$5.598	\$5.904	Oct-04
Nov-04	Oct-04	\$7.890	\$8.402	\$7.626	\$7.973	\$5.889	\$5.920	Nov-04
Dec-04	Nov-04	\$6.762	\$6.793	\$7.976	\$7.177	\$6.093	\$6.273	Dec-04
Jan-05	Dec-04	\$6.668	\$6.160	\$6.213	\$6.347	\$6.103	n/a	Jan-05
Feb-05	Jan-05	\$6.403	\$6.388	\$6.288	\$6.360	\$6.155	n/a	Feb-05
Mar-05	Feb-05	\$6.103	\$6.311	\$6.304	\$6.239	\$6.248	n/a	Mar-05
Apr-05	Mar-05	\$7.062	\$6.999	\$7.323	\$7.128	\$6.395	n/a	Apr-05
May-05	Apr-05	\$7.153	\$7.120	\$6.748	\$7.007	\$6.491	n/a	May-05
Jun-05	May-05	\$6.349	\$6.315	\$6.123	\$6.262	\$6.456	n/a	Jun-05
Jul-05	Jun-05	\$7.360	\$7.138	\$6.976	<b>\$7.158</b>	<b>\$6.525</b>	n/a	Jul-05
Aug-05	Jul-05	<b>\$7.284</b>	<b>\$7.425</b>	<b>\$7.647</b>	<b>\$7.452</b>	<b>\$6.646</b>	n/a	Aug-05
Sep-05	Aug-05	<b>\$7.325</b>	<b>\$7.458</b>	<b>\$7.580</b>	<b>\$7.454</b>	<b>\$6.835</b>	n/a	Sep-05
Oct-05	Sep-05	<b>\$7.393</b>	<b>\$7.521</b>	<b>\$7.595</b>	<b>\$7.503</b>	<b>\$7.005</b>	n/a	Oct-05
Nov-05	Oct-05	<b>\$8.008</b>	<b>\$8.101</b>	<b>\$8.150</b>	<b>\$8.086</b>	<b>\$7.015</b>	n/a	Nov-05
Dec-05	Nov-05	<b>\$8.533</b>	<b>\$8.611</b>	<b>\$8.650</b>	<b>\$8.598</b>	<b>\$7.133</b>	n/a	Dec-05
Jan-06	Dec-05	<b>\$8.898</b>	<b>\$8.969</b>	<b>\$9.040</b>	<b>\$8.969</b>	<b>\$7.351</b>	n/a	Jan-06
Feb-06	Jan-06	<b>\$8.906</b>	<b>\$8.972</b>	<b>\$9.040</b>	<b>\$8.973</b>	<b>\$7.569</b>	n/a	Feb-06
Mar-06	Feb-06	<b>\$8.757</b>	<b>\$8.817</b>	<b>\$8.860</b>	<b>\$8.811</b>	<b>\$7.784</b>	n/a	Mar-06
Apr-06	Mar-06	<b>\$7.667</b>	<b>\$7.720</b>	<b>\$7.780</b>	<b>\$7.722</b>	<b>\$7.833</b>	n/a	Apr-06
May-06	Apr-06	<b>\$7.532</b>	<b>\$7.582</b>	<b>\$7.600</b>	<b>\$7.571</b>	<b>\$7.880</b>	n/a	May-06
Jun-06	May-06	<b>\$7.573</b>	<b>\$7.623</b>	<b>\$7.630</b>	<b>\$7.609</b>	<b>\$7.992</b>	n/a	Jun-06
Jul-06	Jun-06	<b>\$7.623</b>	<b>\$7.673</b>	<b>\$7.750</b>	<b>\$7.682</b>	<b>\$8.036</b>	n/a	Jul-06
Aug-06	Jul-06	<b>\$7.668</b>	<b>\$7.718</b>	<b>\$7.780</b>	<b>\$7.722</b>	<b>\$8.058</b>	n/a	Aug-06
Sep-06	Aug-06	<b>\$7.655</b>	<b>\$7.705</b>	<b>\$7.740</b>	<b>\$7.700</b>	<b>\$8.079</b>	n/a	Sep-06
Oct-06	Sep-06	<b>\$7.690</b>	<b>\$7.740</b>	<b>\$7.775</b>	<b>\$7.735</b>	<b>\$8.098</b>	n/a	Oct-06
Nov-06	Oct-06	<b>\$8.050</b>	<b>\$8.100</b>	<b>\$8.130</b>	<b>\$8.093</b>	<b>\$8.099</b>	n/a	Nov-06
Dec-06	Nov-06	<b>\$8.385</b>	<b>\$8.435</b>	<b>\$8.470</b>	<b>\$8.430</b>	<b>\$8.085</b>	n/a	Dec-06

## Notes:

Col. A - Contract refers to the NYMEX Natural Gas Futures Contract, as approved by the CFTC, for the purchase and sale of natural gas at Henry Hub.

Col. B - Month that trading for the Contract ends (the month before the delivery month)

Col. C - Settlement price for the third last trading day as reported in the Wall Street Journal. (Jan-99 - Dec-06)

- Settlement price as reported in the Wall Street Journal on 24-June-05. (Jan-05 - Dec-06)

Col. D - Settlement price for the second last trading day as reported in the Wall Street Journal. (Jan-99 - Dec-06)

- Settlement price as reported in the Wall Street Journal on 27-June-05. (Jan-05 - Dec-06)

Col. E - Settlement price for the last trading day as reported in the Wall Street Journal. (Jan-99 - Dec-06)

- Settlement price as reported in the Wall Street Journal on 28-June-05. (Jan-05 - Dec-06)

Col. F - Average value of Col. C, Col. D and Col. E (=AVERAGE(Col. C.,Col. E))

Col. G - Average of the most recent twelve months of values in Col. F (including current SOS delivery month)

Col. H - Average of the most recent six months of values in Col. F (ending month prior to SOS delivery month)

Col. I - month in which SOS was delivered at wholesale.

07/28/2005



**The Narragansett Electric Company  
DETERMINATION OF MARKET OIL PRICE**

(Col. A)	(Col. B)	(Col. HH)	(Col. II)	(Col. JJ)	(Col. KK)	(Col. LL)	(Col. MM)	(Col. NN)
SOS Delivery Month	Trading Month	Sum of Values	# of Values	Conversion Factor	Oil Index (\$/mmBtu)	NGrid's Market Oil Price	EUA's Market Oil Price	Prices published in WSJ on: Average 25-Jul-05 26-Jul-05 27-Jul-05
Jan-04	Jan-04	530.40	19	6.3	4.43	4.29	4.15	33.0200 33.02 33.02 33.02 <=Jan closing from WSJ on 12/19/03
Feb-04	Feb-04	494.90	19	6.3	4.13	4.18	4.17	36.2000 36.20 36.20 36.20 <=Feb closing from WSJ on 01/20/04
Mar-04	Mar-04	564.10	23	6.3	3.89	4.08	4.13	35.6000 35.60 35.60 35.60 <=Mar closing from WSJ on 02/20/04
Apr-04	Apr-04	535.55	21	6.3	4.05	4.11	4.12	37.1100 37.11 37.11 37.11 <=Apr closing from WSJ on 03/22/04
May-04	May-04	603.20	20	6.3	4.79	4.18	4.12	37.6000 37.60 37.60 37.60 <=May closing from WSJ on 04/20/04
Jun-04	Jun-04	619.25	21	6.3	4.68	4.24	4.23	40.9200 40.92 40.92 40.92 <=June closing from WSJ on 05/20/04
Jul-04	Jul-04	583.85	21	6.3	4.41	4.25	4.33	38.1100 38.11 38.11 38.11 <=July closing from WSJ on 06/22/04
Aug-04	Aug-04	612.20	22	6.3	4.42	4.25	4.33	40.8600 40.86 40.86 40.86 <=Aug closing from WSJ on 07/20/04
Sep-04	Sep-04	582.00	21	6.3	4.40	4.29	4.37	47.8600 47.86 47.86 47.86 <=Sept closing from WSJ on 08/20/04
Oct-04	Oct-04	693.40	21	6.3	5.24	4.39	4.46	47.1000 47.10 47.10 47.10 <=October closing from WSJ on 09/21/04
Nov-04	Nov-04	572.15	20	6.3	4.54	4.42	4.66	54.9200 54.92 54.92 54.92 <=November closing from WSJ on 10/20/04
Dec-04	Dec-04	526.50	21	6.3	3.98	4.41	4.62	48.4400 48.44 48.44 48.44 <=December closing from WSJ on 11/19/04
Jan-05	Jan-05	594.00	20	6.3	4.71	4.44	n/a	45.6400 45.64 45.64 45.64 <=January 2005 closing from WSJ on 12/20/04
Feb-05	Feb-05	584.70	19	6.3	4.88	4.50	n/a	46.9100 46.91 46.91 46.91 <=February 2005 closing from WSJ on 01/20/05
Mar-05	Mar-05	779.75	22	6.3	5.63	4.64	n/a	51.1500 51.15 51.15 51.15 <=March 2005 closing from WSJ on 02/22/05
Apr-05	Apr-05	811.40	21	6.3	6.13	4.82	n/a	56.6200 56.62 56.62 56.62 <=April 2005 closing from WSJ on 03/21/05
May-05	May-05	721.00	19	6.3	6.02	4.92	n/a	52.4400 52.44 52.44 52.44 <=May 2005 closing from WSJ on 04/20/05
Jun-05	Jun-05	900.25	22	6.3	6.50	5.07	n/a	46.8000 46.80 46.80 46.80 <=June 2005 closing from WSJ on 05/20/05
Jul-05	Jul-05	758.60	18	6.3	6.69	5.26	n/a	59.3700 59.37 59.37 59.37 <=July 2005 closing from WSJ on 06/22/05
Aug-05	Aug-05	57.46			6.47	5.43	n/a	57.4600 57.46 57.46 57.46 <=Aug 2005 closing from WSJ on 07/20/05
Sep-05	Sep-05	59.11			6.66	5.62	n/a	59.1100 59.02 59.20 59.11
Oct-05	Oct-05	59.96			6.76	5.75	n/a	59.9600 59.75 60.01 60.12
Nov-05	Nov-05	60.56			6.82	5.94	n/a	60.5633 60.30 60.60 60.79
Dec-05	Dec-05	60.97			6.87	6.18	n/a	60.9667 60.67 60.99 61.24
Jan-06	Jan-06	61.24			6.90	6.36	n/a	61.2367 60.91 61.26 61.54
Feb-06	Feb-06	61.36			6.91	6.53	n/a	61.3633 61.01 61.38 61.70
Mar-06	Mar-06	61.37			6.91	6.64	n/a	61.3667 61.01 61.39 61.70
Apr-06	Apr-06	61.32			6.91	6.70	n/a	61.3167 60.94 61.33 61.68
May-06	May-06	61.26			6.90	6.78	n/a	61.2567 60.85 61.24 61.68
Jun-06	Jun-06	61.13			6.89	6.81	n/a	61.1333 60.75 61.14 61.51
Jul-06	Jul-06	61.06			6.88	6.82	n/a	61.0567 60.75 61.02 61.40
Aug-06	Aug-06	61.02			6.88	6.86	n/a	61.0200 60.75 61.02 61.29
Sep-06	Sep-06	60.94			6.87	6.87	n/a	60.9367 60.75 60.77 61.29
Oct-06	Oct-06	60.68			6.84	6.88	n/a	60.6833 60.23 60.77 61.05
Nov-06	Nov-06	60.64			6.83	6.88	n/a	60.6433 60.23 60.77 60.93
Dec-06	Dec-06	60.39			6.80	6.88	n/a	60.3933 59.98 60.39 60.81

## Notes:

Col. A - month in which SOS was delivered at wholesale.

Col. B - month in which oil prices were quoted and delivered.

Col. C - Col. GG - daily prices as quoted by Platt's MarketScan. (not shown)

Col. HH - sum of values in Col. C through Col. GG. (Jan-99 - Jul-05)

- Aug-05 Final Crude oil contract price as reported in the Wall Street Journal on 20-July-05

- average of Crude oil contract prices as reported in the Wall Street Journal on July 25, 26 &amp; 27, 2005

Col. II - number of non-zero values in Col. C through Col. GG.

Col. JJ - a fixed factor of 6.3 mmBtu per bbl.

Col. KK - Col. HH divided by (Col. II x Col. JJ) (Jan-99 - Jul-05)

- Current month value Col. HH \* Aug-05 value in Col KK/ 57.46 (Aug-05 - Dec-06)

- Where 57.46 represents the Aug-05 closing value from the WSJ 20-July-05

Col. LL - Average of the most recent twelve months of values in Col. KK (including current SOS delivery month)

Col. MM - Average of the most recent six months of values in Col. KK (ending month prior to SOS delivery month)

**The Narragansett Electric Company**  
**DETERMINATION OF FUEL ADJUSTMENT VALUE**

(Col. A)	(Col. B)	(Col. C)	(Col. D)	(Col. E)	(Col. F)	(Col. G)	(Col. H)	(Col. I)	(Col. J)	(Col. K)	(Col. L)	(Col. M)	(Col. N)
SOS Delivery Month	NGrid's Market Gas Price	NGrid's Market Oil Price	NGrid's Fuel Value	NGrid's Fuel Trigger	NGrid's Adjustment Value	EUA's Market Gas Price	EUA's Market Oil Price	EUA's Fuel Value	EUA's Fuel Trigger	EUA's Adjustment Value	Ngrid Adjustment ¢/kWh	EUA Adjustment ¢/kWh	Weighted Adjustment ¢/kWh
Jan-04	\$5.5406	\$4.2925	\$9.8331	\$7.74	1.24977	\$4.8381	\$4.1543	\$8.9923	\$7.74	1.14944	1.274	0.762	1.141
Feb-04	\$5.5606	\$4.1759	\$9.7364	\$7.74	1.23824	\$4.9451	\$4.1685	\$9.1136	\$7.74	1.16391	1.215	0.836	1.116
Mar-04	\$5.2135	\$4.0831	\$9.2966	\$7.74	1.18576	\$5.1184	\$4.1281	\$9.2465	\$7.74	1.17977	0.947	0.917	0.939
Apr-04	\$5.2351	\$4.1059	\$9.3410	\$7.74	1.19105	\$5.1354	\$4.1232	\$9.2586	\$7.74	1.18121	0.974	0.924	0.961
May-04	\$5.2767	\$4.1827	\$9.4594	\$7.74	1.20518	\$5.2763	\$4.1163	\$9.3926	\$7.74	1.19721	1.046	1.006	1.036
Jun-04	\$5.3352	\$4.2417	\$9.5769	\$7.74	1.21920	\$5.5049	\$4.2262	\$9.7312	\$7.74	1.23761	1.118	1.212	1.142
Jul-04	\$5.3973	\$4.2473	\$9.6445	\$7.74	1.22727	\$5.8323	\$4.3291	\$10.1614	\$7.74	1.28895	1.159	1.474	1.241
Aug-04	\$5.5054	\$4.2506	\$9.7561	\$7.74	1.24058	\$5.8494	\$4.3261	\$10.1755	\$7.74	1.29063	1.227	1.482	1.293
Sep-04	\$5.5199	\$4.2903	\$9.8103	\$7.74	1.24705	\$5.8925	\$4.3732	\$10.2657	\$7.74	1.30139	1.260	1.537	1.332
Oct-04	\$5.5982	\$4.3864	\$9.9845	\$7.74	1.26784	\$5.9044	\$4.4575	\$10.3620	\$7.74	1.31288	1.366	1.596	1.426
Nov-04	\$5.8888	\$4.4208	\$10.3095	\$7.74	1.30663	\$5.9201	\$4.6564	\$10.5764	\$7.74	1.33848	1.564	1.726	1.606
Dec-04	\$6.0931	\$4.4138	\$10.5068	\$7.74	1.33017	\$6.2726	\$4.6153	\$10.8879	\$7.74	1.37564	1.684	1.916	1.744
Jan-05	\$6.1033	\$4.4374	\$10.5407	\$8.48	1.22595	n/a	n/a	n/a	n/a	n/a	1.243	n/a	0.920
Feb-05	\$6.1550	\$4.4999	\$10.6549	\$8.48	1.23848	n/a	n/a	n/a	n/a	n/a	1.312	n/a	0.971
Mar-05	\$6.2484	\$4.6443	\$10.8927	\$8.48	1.26456	n/a	n/a	n/a	n/a	n/a	1.455	n/a	1.077
Apr-05	\$6.3953	\$4.8181	\$11.2134	\$8.48	1.29971	n/a	n/a	n/a	n/a	n/a	1.648	n/a	1.220
May-05	\$6.4911	\$4.9211	\$11.4122	\$8.48	1.32151	n/a	n/a	n/a	n/a	n/a	1.768	n/a	1.309
Jun-05	\$6.4555	\$5.0723	\$11.5278	\$8.48	1.33419	n/a	n/a	n/a	n/a	n/a	1.838	n/a	1.360
Jul-05	<b>\$6.5248</b>	<b>\$5.2620</b>	<b>\$11.7868</b>	<b>\$8.48</b>	<b>1.36259</b>	n/a	n/a	n/a	n/a	n/a	<b>1.994</b>	n/a	<b>1.476</b>
Aug-05	<b>\$6.6460</b>	<b>\$5.4334</b>	<b>\$12.0794</b>	<b>\$8.48</b>	<b>1.39467</b>	n/a	n/a	n/a	n/a	n/a	<b>2.171</b>	n/a	<b>1.606</b>
Sep-05	<b>\$6.8347</b>	<b>\$5.6219</b>	<b>\$12.4566</b>	<b>\$8.48</b>	<b>1.43603</b>	n/a	n/a	n/a	n/a	n/a	<b>2.398</b>	n/a	<b>1.775</b>
Oct-05	<b>\$7.0050</b>	<b>\$5.7481</b>	<b>\$12.7531</b>	<b>\$8.48</b>	<b>1.46855</b>	n/a	n/a	n/a	n/a	n/a	<b>2.577</b>	n/a	<b>1.907</b>
Nov-05	<b>\$7.0145</b>	<b>\$5.9384</b>	<b>\$12.9529</b>	<b>\$8.48</b>	<b>1.49045</b>	n/a	n/a	n/a	n/a	n/a	<b>2.697</b>	n/a	<b>1.996</b>
Dec-05	<b>\$7.1329</b>	<b>\$6.1792</b>	<b>\$13.3121</b>	<b>\$8.48</b>	<b>1.52984</b>	n/a	n/a	n/a	n/a	n/a	<b>2.914</b>	n/a	<b>2.156</b>
Jan-06	<b>\$7.3514</b>	<b>\$6.3613</b>	<b>\$13.7128</b>	<b>\$9.22</b>	<b>1.45566</b>	n/a	n/a	n/a	n/a	n/a	<b>2.688</b>	n/a	<b>1.989</b>
Feb-06	<b>\$7.5692</b>	<b>\$6.5305</b>	<b>\$14.0996</b>	<b>\$9.22</b>	<b>1.49489</b>	n/a	n/a	n/a	n/a	n/a	<b>2.920</b>	n/a	<b>2.161</b>
Mar-06	<b>\$7.7835</b>	<b>\$6.6379</b>	<b>\$14.4214</b>	<b>\$9.22</b>	<b>1.52752</b>	n/a	n/a	n/a	n/a	n/a	<b>3.112</b>	n/a	<b>2.303</b>
Apr-06	<b>\$7.8330</b>	<b>\$6.7025</b>	<b>\$14.5355</b>	<b>\$9.22</b>	<b>1.53910</b>	n/a	n/a	n/a	n/a	n/a	<b>3.181</b>	n/a	<b>2.354</b>
May-06	<b>\$7.8801</b>	<b>\$6.7758</b>	<b>\$14.6558</b>	<b>\$9.22</b>	<b>1.55130</b>	n/a	n/a	n/a	n/a	n/a	<b>3.253</b>	n/a	<b>2.407</b>
Jun-06	<b>\$7.9923</b>	<b>\$6.8085</b>	<b>\$14.8007</b>	<b>\$9.22</b>	<b>1.56600</b>	n/a	n/a	n/a	n/a	n/a	<b>3.339</b>	n/a	<b>2.471</b>
Jul-06	<b>\$8.0359</b>	<b>\$6.8243</b>	<b>\$14.8603</b>	<b>\$9.22</b>	<b>1.57203</b>	n/a	n/a	n/a	n/a	n/a	<b>3.375</b>	n/a	<b>2.497</b>
Aug-06	<b>\$8.0584</b>	<b>\$6.8578</b>	<b>\$14.9162</b>	<b>\$9.22</b>	<b>1.57771</b>	n/a	n/a	n/a	n/a	n/a	<b>3.408</b>	n/a	<b>2.522</b>
Sep-06	<b>\$8.0789</b>	<b>\$6.8749</b>	<b>\$14.9538</b>	<b>\$9.22</b>	<b>1.58152</b>	n/a	n/a	n/a	n/a	n/a	<b>3.431</b>	n/a	<b>2.539</b>
Oct-06	<b>\$8.0982</b>	<b>\$6.8817</b>	<b>\$14.9799</b>	<b>\$9.22</b>	<b>1.58417</b>	n/a	n/a	n/a	n/a	n/a	<b>3.447</b>	n/a	<b>2.550</b>
Nov-06	<b>\$8.0988</b>	<b>\$6.8825</b>	<b>\$14.9813</b>	<b>\$9.22</b>	<b>1.58431</b>	n/a	n/a	n/a	n/a	n/a	<b>3.447</b>	n/a	<b>2.551</b>
Dec-06	<b>\$8.0848</b>	<b>\$6.8771</b>	<b>\$14.9619</b>	<b>\$9.22</b>	<b>1.58234</b>	n/a	n/a	n/a	n/a	n/a	<b>3.436</b>	n/a	<b>2.543</b>

Notes:

Col. A - month in which SOS was delivered at wholesale  
Col. B - Average of the values of Gas Index for the most recent 12 months. (Col. G - Determination of Market Gas Price)  
Col. C - Average of the values of Oil Index for the most recent 12 months. (Col. LL - Determination of Market Oil Price)  
Col. D - Col. B + Col. C  
Col. E - Applicable value from the Standard Offer Supply Contracts.  
Col. F - @if(Col. D > Col. E, (Col. B + \$0.60 + Col. C + \$0.04) / (Col. E + \$0.64), 1.000)  
Col. G - Average of the values of Gas Index for the most recent 6 months. (Col. H - Determination of Market Gas Price)  
Col. H - Average of the values of Oil Index for the most recent 6 months. (Col. I - Determination of Market Oil Price)  
Col. I - Col. G + Col. H  
Col. J - Applicable value from the Standard Offer Supply Contracts.  
Col. K - @if(Col. I > Col. J, (Col. G + \$0.60 + Col. H + \$0.04) / (Col. J + \$0.64), 1.000)  
Col. L - (Col. F - 1.0) \* Applicable Contract Price from the Standard Offer Supply Contracts.  
Col. M - (Col. K - 1.0) \* Applicable Contract Price from the Standard Offer Supply Contracts.  
Col. N - (0.74 \* Col. K) + (0.26 \* Col. L)

Forecast of fuel prices based on NYMEX futures as reported in the Wall Street Journal on July 25, 26, & 27, 2005



Narragansett Electric Company  
Summary of Disputed Congestion Charges

Congestion  
Charges

**USGEN Charges**

Mar-2003	\$0
Apr-2003	\$0
May-2003	\$0
Jun-2003	\$0
Jul-2003	\$0
Aug-2003	\$551,873
Sep-2003	(\$810)
Oct-2003	\$16,209
Nov-2003	\$1,975
Dec-2003	\$12,036
Jan-2004	\$3,332
Feb-2004	(\$6,207)
Mar-2004	(\$11,341)
Apr-2004	(\$2,212)
May-2004	(\$27,786)
Jun-2004	\$48,788
Jul-2004	\$65,888
Aug-2004	\$55,835
Sep-2004	(\$5,001)
Oct-2004	(\$3,398)
Nov-2004	(\$13,501)
Dec-2004	\$3,502
Total - USGEN Charges	\$689,183

Narragansett Electric Company  
Summary of Disputed Fuel Index Payments

Fuel Index  
Payments

**Actual Payments**

Jan-2005	\$319,578
Feb-2005	\$282,636
Mar-2005	\$319,613
Apr-2005	\$316,801
May-2005	\$371,460
Jun-2005	<u>\$449,665</u>
Subtotal Actual Payments through June 2005	\$2,059,753

**Estimated Payments**

	<u>Estimated Fuel Index Adjustment</u> (a)	<u>Estimated kWh Deliveries</u> (b)	<u>Estimated Fuel Index Payments</u> (c)=(a)*(b)
Jul-2005	\$0.02245	22,080,198	\$495,700
Aug-2005	\$0.02525	23,131,582	\$584,072
Sep-2005	\$0.02795	21,792,173	\$609,091
Oct-2005	\$0.03021	19,308,075	\$583,297
Nov-2005	\$0.03121	19,951,333	\$622,681
Dec-2005	\$0.03310	21,409,860	<u>\$708,666</u>
Total Estimated Payments through Dec 2005			\$3,603,509
Total Actual and Estimated Payments - 2005			\$5,663,262

Jan-2006	\$0.03112	22,388,223	\$696,722
Feb-2006	\$0.03314	21,217,298	\$703,141
Mar-2006	\$0.03509	20,506,815	\$719,584
Apr-2006	\$0.03670	19,522,439	\$716,474
May-2006	\$0.03707	18,833,303	\$698,151
Jun-2006	\$0.03663	19,961,183	\$731,178
Jul-2006	\$0.03567	22,411,401	\$799,415
Aug-2006	\$0.03436	23,478,556	\$806,723
Sep-2006	\$0.03308	22,119,056	\$731,698
Oct-2006	\$0.03192	19,597,696	\$625,558
Nov-2006	\$0.03186	20,250,603	\$645,184
Dec-2006	\$0.03231	21,731,008	<u>\$702,129</u>
Estimated Payments - Jan 2006 through Dec 2006			\$8,575,957

Total Payments - Actual and Estimated \$14,239,219

Notes:

Column (a) EUA Fuel Index Adjustments  
Column (b) Projected Standard Offer kWh deliveries multiplied by 3.70% (TCPM estimated share of total SO load)

### Certificate of Service

I certify that a copy of the cover letter and/or any materials accompanying this certificate has been faxed, mailed or hand-delivered to the parties listed below.



\_\_\_\_\_  
Joanne M. Scanlon

July 29, 2005  
Date

**Narragansett Electric Co. – Annual Reconciliation Filing – Dkt. 3648**  
**Service list as of 12/08/04**

<b>Name/Address</b>	<b>E-mail Distribution</b>	<b>Phone/FAX</b>
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cc: Steve Scialabba, Division